



WASHINGTON STATE LEGISLATURE

Joint Committee on Pension Policy

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April 17, 2002

10 AM - Noon

House Hearing Room A
Olympia

REVISED AGENDA

- 10:00 AM **(1) Election of Officers**
- 10:15 AM **(2) Meeting Schedule**
- 10:30 AM **(3) Interim Issues — David Pringle**
(A) 2001 JCPP Motions
 - Public Safety Benefits
 - Membership and Service Credit
 - Plan 1 Retiree COLA**(B) Statutory**
 - Post-retirement Employment Study**(C) Agenda Workgroup**
- 11:15 AM **(4) Session Update — Robert Baker**
- 11:30 AM **(5) Funding Projections – Gerald Allard**
- 12:00 PM **(6) Adjourn**

Joint Committee on Pension Policy - 2002

***Senator Don Carlson**

Vice-Chair

106-B INB
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Oly: 786-7696
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***Senator Karen Fraser**

Past Chair

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Senator Harold Hochstatter

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Senator Ken Jacobsen

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***Senator Shirley Winsley**

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***Representative Gary Alexander**

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***Representative Steve Conway**

307 JLOB
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Fax: 786-7317

Representative Jerome Delvin

436 JLOB
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Oly: 786-7986
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Representative Geoff Simpson

326 JLOB
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Vacant (R)

Vacant (R)

Vacant (D)

***Executive Committee**

Joint Committee on Pension Policy

Rules of Procedure

Revised December 13, 2000

- RULE 1. Membership. The committee shall be composed of 16 members, 4 from each major caucus of the legislature. Appointments are for a biennium beginning at the close of the session in which the member is appointed and ending at the close of the next regular session held in an odd-numbered year or until a successor is appointed.
- RULE 2. Meetings. The Joint Committee on Pension Policy (JCPP) may meet once each month during the Legislative Interim, or at such other times when called by the chair or by the executive committee. The date, time, and place shall be set by the chair or executive committee. A good faith effort will be made to put notices of meetings in the printed monthly legislative meeting schedule and in the schedule available on the internet during the interim. A minimum of seven days' notice of any meeting shall be given.
- RULE 3. Rules of Order. All meetings of the JCPP, its executive committee, or any subcommittee created by the JCPP, shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.
- RULE 4. Quorum. A majority of the members shall constitute a quorum.
- RULE 5. Voting. A majority of committee members must vote in the affirmative for an action of the committee to be valid, unless provided otherwise in statute or these Rules of Procedure.
- RULE 6. Minutes. Minutes summarizing the proceedings of each JCPP meeting shall be kept. These minutes will include member attendance, any official actions taken at each meeting, and persons testifying.
- RULE 7. JCPP Executive Committee. The JCPP shall reorganize promptly after the biennial appointment of members under Chapter 44.44 RCW.

An executive committee shall be established and shall include the immediate previous chair or co-chairs and four members elected by the JCPP, representing the four major caucuses. Reorganization elections shall take place as follows: First, a chair shall be elected and then a vice-chair shall be elected. The chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The chair and vice-chair shall be from opposite chambers.

In the event that membership in the House of Representatives is evenly split between caucuses in an odd-numbered year, the Committee shall elect a co-chair from each of the two major caucuses of the House. In the event that membership in the House of Representatives is evenly split between caucuses in an even-numbered year, the Committee shall elect co-vice-chairs from each of the two major caucuses in the House.”

RULE 8. Duties of Officers.

- A. The chair shall preside at all meetings of the JCPP and executive committee, except that the vice chair shall preside when the chair is not present. In their absence, an executive committee member may preside.
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the JCPP and executive committee.
- C. The executive committee shall perform all duties assigned to it by these Rules of Procedure, and such other duties delegated to it by the JCPP, and shall set meeting agendas and recommend actions to be taken by the JCPP.

RULE 9. Resolutions and Proposals. Proposals for JCPP consideration or action on any subject within the scope of JCPP’s authority may be presented orally or in writing by any member of the JCPP. Resolutions addressed to the JCPP by the Washington State Legislature or either chamber thereof shall be deemed to have been presented to the JCPP without further action by any member. Proposals for JCPP consideration or action on any subject within the scope of JCPP’s authority may be presented in writing to JCPP by any member of the legislature.

RULE 10. Expenses. The biennial budget submission for the office of the state actuary shall be approved by the executive committee. JCPP members’ travel expenses shall be paid by the member’s legislative body.

RULE 11. State Actuary. If a vacancy occurs, the JCPP shall appoint a state actuary by a two-thirds majority from a list of applicants recommended by the executive committee. The state actuary shall serve as the chief of staff for the JCPP and shall perform such duties as the JCPP or its executive committee may require.

The compensation of the state actuary shall be determined by the executive committee and the executive committee shall provide for a regular performance evaluation of the state actuary.

The state actuary may be terminated based on the recommendation of the executive

committee subject to the approval of two-thirds of the membership of the JCPP.

RULE 12. Other Staff.

- A. The state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the state actuary deems necessary.
- B. The number of permanent employees and the salary ranges for their positions shall be approved by the executive committee.
- C. The executive committee shall approve all personal service contracts in excess of \$5,000.00.
- D. All staff members shall report to and be subject to the direction of the state actuary, and be exempt from the provisions of the state civil service law, chapter 41.06 RCW. The state actuary shall advise the executive committee on personnel actions. Anyone terminated by the state actuary shall have the right of appeal to the executive committee.
- E. Grievance Procedure. An employee who is dissatisfied with a personnel action or employment conditions shall bring the matter to their supervisor. If they continue to be dissatisfied, the employee may appeal to the State Actuary. If the employee disagrees with the decision or action of the State Actuary, the employee may appeal to the chair or vice chair for action by the executive committee.

Adopted December 13, 2000, by the Joint Committee on Pension Policy:

Senator Karen Fraser, Chair

Representative Mark Doumit, Co-Vice-Chair

Representative Kathy Lambert, Co-Vice-Chair

Chapter 44.44 RCW

OFFICE OF STATE ACTUARY—JOINT COMMITTEE ON PENSION POLICY

Sections

- 44.44.010 Office of state actuary—Created—Qualifications.
- 44.44.015 Administration.
- 44.44.030 Personnel—Participation of American academy of actuaries.
- 44.44.040 Powers and duties—Actuarial fiscal notes.
- 44.44.050 Joint committee on pension policy—Membership, terms, leadership.
- 44.44.060 Joint committee on pension policy—Powers and duties.
- 44.44.900 Severability—1975-'76 2nd ex.s. c 105.

Department of retirement systems: Chapter 41.50 RCW.

RCW 44.44.010 Office of state actuary—Created—Qualifications. (1) There is hereby created an office within the legislative branch to be known as the office of the state actuary.

(2) The executive head of the office shall be the state actuary who shall be qualified by education and experience in the field of actuarial science. [1987 c 25 § 1; 1975-'76 2nd ex.s. c 105 § 19.]

RCW 44.44.015 Administration. The administration of the joint committee on pension policy is subject to RCW 44.04.260. [2001 c 259 § 10.]

RCW 44.44.030 Personnel—Participation of American academy of actuaries. (1) Subject to RCW 44.04.260, the state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the actuary deems necessary, whose salaries shall be fixed by the actuary and approved by the joint committee on pension policy, and who shall be exempt from the provisions of the state civil service law, chapter 41.06 RCW.

(2) All actuarial valuations and experience studies performed by the office of the state actuary shall be signed by a member of the American academy of actuaries. If the state actuary is not such a member, the state actuary, after approval by the committee, shall contract for a period not to exceed two years with a member of the American academy of actuaries to assist in developing actuarial valuations and experience studies. [2001 c 259 § 11; 1987 c 25 § 2; 1975-'76 2nd ex.s. c 105 § 21.]

RCW 44.44.040 Powers and duties—Actuarial fiscal notes. The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law. Reimbursement for such services shall be made to the state actuary pursuant to the provisions of RCW 39.34.130 as now or hereafter amended.

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.

(5) Provide such actuarial services to the legislature as may be requested from time to time.

(6) Provide staff and assistance to the committee established under *RCW 46.44.050. [1987 c 25 § 3; 1986 c 317 § 6; 1975-'76 2nd ex.s. c 105 § 22.]

**Reviser's note:* The reference to RCW 46.44.050 is in error. RCW 44.44.050 was apparently intended.

Legislative findings—Intent—Severability—1986 c 317: See notes following RCW 41.40.150.

RCW 44.44.050 Joint committee on pension policy—Membership, terms, leadership. (1) There is hereby created a joint committee on pension policy. The committee shall consist of: (a) Eight members of the senate appointed by the president of the senate, four of whom shall be members of the majority party and four of whom shall be members of the minority party; and (b) eight members of the house of representatives appointed by the speaker, four of whom shall be members of the majority party and four of whom shall be members of the minority party. Members of the committee shall be appointed before the close of the 1987 legislative session and before the close of each regular session during an odd-numbered year thereafter.

(2) Each member's term of office shall run from the close of the session in which he or she was appointed until the close of the next regular session held in an odd-numbered year. If a successor is not appointed during a session, the member's term shall continue until the member is reappointed or a successor is appointed. The term of office for a committee member who does not continue as a member of the senate or house shall cease upon the convening of the

next session of the legislature during an odd-numbered year after the member's appointment, or upon the member's resignation, whichever is earlier. Vacancies on the committee shall be filled by appointment in the same manner as described in subsection (1) of this section. All such vacancies shall be filled from the same political party and from the same house as the member whose seat was vacated.

(3) The committee shall elect a chairperson and a vice-chairperson. The chairperson shall be a member of the senate in even-numbered years and a member of the house of representatives in odd-numbered years.

(4) The committee shall establish an executive committee of four members, including the chairperson and the vice-chairperson, representing the majority and minority caucuses of each house. [1987 c 25 § 4.]

RCW 44.44.060 Joint committee on pension policy—Powers and duties. The joint committee on pension policy shall have the following powers and duties:

(1) Study pension issues, develop pension policies for public employees in state retirement systems, and make recommendations to the legislature;

(2) Study the financial condition of the state pension systems, develop funding policies, and make recommendations to the legislature; and

(3) Appoint or remove the state actuary by a two-thirds vote of the committee. [1987 c 25 § 5.]

RCW 44.44.900 Severability—1975-'76 2nd ex.s. c 105. See note following RCW 41.04.270.

JOINT COMMITTEE ON PENSION POLICY

Proposed Meeting Schedule

(March 19, 2002)

April 17, 2002

10 AM - 12:30 PM

House Hearing Room A, Olympia

Elections; Schedule; Issues;
Session Update

May 15, 2002

September 18, 2002

June 19, 2002

October 16, 2002

July 17, 2002

November 13, 2002

Legislation and Proposals

August 21, 2002

December 18, 2002

Legislation

Public Safety

The Joint Committee on Pension Policy moves that the issue of providing additional public safety benefits to certain members of the Public Employees' Retirement System plans 2 and 3 be studied during the 2002 interim.

The study shall examine the creation of public safety benefits paid for by included employees and employers for periods of service in eligible positions. The study shall also examine the eligibility criteria for both entry into the Law Enforcement Officers' and Fire Fighters' plan 2 and for a public safety benefit.

The State Actuary shall report the results of the study to the JCPP at the May 2002 meeting of the Committee.

Membership and Service Credit

The Joint Committee on Pension Policy moves that the issues of membership requirements and service credit related to substitute, temporary, and part-time employees in the Public Employees' Retirement System and the School Employees' Retirement System be studied during the 2002 interim.

\$50 Minimum COLA

The current minimum benefit amount in PERS 1 and TRS 1 is \$29.44 per month per year of service. Plan 1 members who fall below this amount at the time of retirement are eligible to receive the Uniform COLA.

Proposal:

PERS 1 and TRS 1 retirees with 20 years or more of service would be eligible for a one-time permanent adjustment in their gross retirement benefit to \$50 per month per year of service. A retiree with 20 years of service would receive, at a minimum, a gross monthly benefit of \$1,000 (20 years × \$50 per month per year of service).

| Plan 1 Annuitants With Benefits Under \$50 mo/yos | | | | |
|---|---------|----------|----------|--------|
| | Retired | Disabled | Survivor | Total |
| PERS | 9,752 | 250 | 1,632 | 11,634 |
| TRS | 5,371 | 149 | 872 | 6,392 |
| Total | 15,123 | 399 | 2,504 | 18,026 |

| | PERS | TRS | Total |
|---------------------------------|---------|---------|---------|
| Average Benefit Increase | \$3,462 | \$3,975 | \$3,644 |
| Percent Benefit Increase | 31.8% | 35.1% | 33.0% |

RCW 41.45.070(5) The supplemental rate charged under this section to fund postretirement adjustments which are provided on a nonautomatic basis to current retirees shall be calculated as the percentage of pay needed to fund the adjustments as they are paid to the retirees.

| | TRS | PERS |
|---------------------------------------|-------|------|
| Increase in Contribution Rates | 0.74% | 0.5% |

| General Fund State Cost (in millions) | | | | |
|---------------------------------------|-------|-------|--------|--------|
| | PERS | SERS | TRS | Total |
| 2002-03 FY | \$6.7 | \$3.3 | \$21.0 | \$31.0 |

Post-retirement Employment

Mandates the Office of the State Actuary to review and prepare a report for the JCPP on the fiscal and policy impact of the expansion of post-retirement employment in TRS and PERS. The Study is due from the JCPP to the Legislature in October, 2003. ESSB 5937a; Ch 10, L 01, E2.

Joint Committee on Pension Policy

Agenda Workgroup Motion

To enhance representative group participation, and enable the committee to effectively focus on pension policy issues, the executive committee of the Joint Committee on Pension Policy shall invite representatives of employee, retiree, and employer groups to participate in forming an agenda work-group. This work-group shall convene prior to the next interim to develop a proposed agenda for that interim, while recognizing the limited time and resources available. The Office of the State Actuary may provide staff support within available resources. The Chair(s) shall send a letter inviting employer, employee, and retiree groups to participate no later than the end of the first week of the legislative session.

Following the first JCPP organizational meeting, representatives of the agenda work-group shall meet with the executive committee for purposes of presenting their consensus priority list of topics and developing the interim agenda. The agenda will include issue work-groups consisting of interested participants and Joint Committee members. Recommendations from the issue work-groups shall be presented to the executive committee for inclusion in the full committee agenda no later than November.

Agenda Work Group

Employee and Employer Designees

EMPLOYEE DESIGNEES

Ms. Bev Hermanson

Washington Federation of
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1212 Jefferson Street SE, #300
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360-352-7603

Mr. Bob Maier

Randy Parr (alternate)
Washington Education Association
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360-943-3150 ext.12

Mr. Daniel Anderson

Ken Crowder (alternate)
Washington State Retired
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425-259-3897
360-387-7210

Mr. David Westberg

International Union of
Operating Employees-Local 609
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Seattle, Washington 98121
206-441-8544

Mr. Doug Nelson

Public School Employees
of Washington
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Auburn, Washington 98071
1-800-562-8448

Ms. Ellie Menzies for Sarah Scanlon

Service Employees
International Union
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206-448-7348

Mr. Fred Ropes

Amalgamated Transit Union 1384
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360-459-5360

Ms. Helen Carlstrom

Washington Education
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Mr. John Kvamme

Washington Association of
School Administrators
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360-943-5717

Mr. John O'Brien for Mary Anne Fast

Retired Public Employees
Coalition
1212 Jefferson Street, #102
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360-352-8262

Mr. Kelly Fox

Washington State Council
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360-943-3030

Ms. Lynn McKinnon

Washington State Public
Employees Association
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360-943-1121 ext. 103

Mr. Mark Curtis

LEOFF 1 Coalition
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Tumwater, Washington 98512-8108
360-786-5514

Mr. Michael Transue

Seattle and King County
Police Officers
5420 North Commercial Street
Ruston, Washington 98407
253-223-2508

Mr. Mike Edwards/ Mr. Ron Main

Seattle Police Officers Guild
2949 4TH Ave S
Seattle, Washington 98134-1914
206-767-1150

Mr. Mike Matson

Washington State Law
Enforcement Association, Inc.
1500 Lake Park Drive SW #21
Olympia, Washington 98512
360-956-9694

Mr. Pat Hoban

Washington State School
Retirees' Association
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360-413-5496

Mr. Pat Thompson

Washington State Council of
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Mr. Steve Eggert

King County Police Officers Guild
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Mr. Warren Bishop

Coalition of Retired Higher
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Ms. Wendy Rader-Konofalski

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Mr. William Hanson

Washington State Council
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Mr. Rick Jensen

Washington State Troopers Association
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EMPLOYER DESIGNEES

Mr. Bill Vogler

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Mr. Jim Justin

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Mr. Larry Erickson

Douglas County Sheriff
Washington Association of
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Ms. Sandi Swarthout

Washington Fire Commissioners
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Joint Committee on Pension Policy

Agenda Workgroup

April 17, 2002

The employee and employer stakeholders attending the Joint Committee on Pension Policy's Agenda Workgroup have met twice to prioritize issues for consideration by the Executive Committee in establishing an agenda for the upcoming legislative interim. During the first meeting on February 13, stakeholders shared their top pension-related issues and provided feedback to one another on those issues/ideas. In its second meeting on March 20, attendees worked with a professional facilitator to prioritize these and any new issues for committee agenda consideration. (Committee staff can provide a listing of attendees for both meetings.)

The facilitated process included listing all issues raised at the first meeting and making additions to that list. The many issues were then organized into eleven broad categories based upon their common traits. Attendees then prioritized the issues by voting for the broad categories most important to their respective organizations.

The top six priorities voted on by the attendees were:

- **Benefit Improvements**
 - Cost-of-Living Allowances (COLA) for Plan 1 retirees.
 - Age of retirement issues, including an earlier normal retirement age, less restriction on lower early retirement reduction factors, and an age/service component for normal retirement eligibility (i.e. Rule of 80).
- **Governance**
 - Pension system decision-making that is independent from the sponsoring entity, where active and retiree members have role in decision-making.
- **Pension Funding**
 - Interest in studying a more stable and predictable system funding strategy that remains affordable for employers and employees.
- **Medical Coverage**
 - Post-retirement medical coverage access and affordability issues.
- **System Equity**
 - Achieve greater equity among the various pension systems.
 - Provide SERS & TRS Plan 2 as a choice for newly hired employees.
- **Research**
 - Plan comparisons with other public and private sector plans, and rate change impact/future trend analysis.

Although the Agenda Workgroup did not engage in discussions regarding a preferred process for the Executive Committee to follow on these six priority issues, we respectfully request that they be incorporated into the 2002 JCPP interim agenda and that they be given the full benefit of Office of the State Actuary staff review and analysis and Committee attention.

The prioritization process used by the Agenda Workgroup was simply to list all issues of stakeholder concern and then each attending organization was provided three votes to indicate their highest priority items from among those listed. An organization could use all three of its votes on one item, or it could spread the votes among two or three items. The full results of the Agenda workgroup voting process, and the supported issues included in each category were:

Benefit Improvements (22 votes)

- COLA/Improvements
 - The plans (in combination with Social Security) should provide 100% income replacement and the benefit should maintain purchasing power (COLA).
 - Reduce age of eligibility for Plan 1 COLAs
 - Reasonable pension amount with an immediate and consistent COLA.
 - Post-retirement equity with economic climate (COLA).
 - Catch up factors for current retirees.
- Age
 - Retire with full pension at 30 years of service or age 62.
 - Reduced penalty for leaving service prior to age 65 (Plan 2/3).
 - Earlier normal retirement age (Plan 2).
 - Age and Service component in Plan 2 (Rule of 80).
- Other
 - Flexible
 - Philosophy of continually improving benefits to attract/retain quality employees.
 - Flexibility to aggregate pension assets for earlier retirement via additional employee and employer contributions.
 - DROP's – Defined Retirement Option Plans.
 - Overall benefits improvement.

Pension System Governance (17 votes)

- Governance system where active and retired members make the decisions.
- Governance system that is independent from the legislature.
- Governed solely for benefit of members
- Opportunity to affect greater change directly with legislature based on active/retiree priorities.
- Decision-making that is independent from the sponsoring entity – active and retiree members have role in decision-making.
- Wait for fate of Fire Fighter initiative to decide our governance.

Pension Funding (12 votes)

- Stable.
- Fiscally sound.
- Limit contribution rate fluctuation.
- Predictable, stable contribution rates (employer and employee).
- Affordable for employee and employer.
- Fiscally balanced.
- Stability and predictability in funding systems.

Medical Coverage (11 votes)

- Post-retirement medical.
- Age for health care eligibility for Plan 2 members.
- Medical benefits from date of retirement.
- Post-retirement medical (cost reduction).
- Retiree – spousal medical coverage.

System Equity (6 votes)

- SERS/TRS Plan 2 choice for new employees.
- Fair and balanced.
- Equity among the various pension systems.

Research (5 votes)

- Assessment of WA public pension plans in relation to other states and private sector plans.
- Study of the impact of the changing employer and employee contribution rates during the past 10 years and projections of future rates.

Public Safety (4 votes)

- LEOFF membership
- LEOFF 2/ Rangers and Liquor Enforcement Officers
- Public Safety System with min-range retirement age.
- Line of duty injury and definition of vesting in DRS statutes.

Gain Sharing (2 votes)

- Gain sharing policies
- Gain sharing vs. loss sharing.
- 100% gain sharing for returns over 8%
- Gain sharing annualization with 13th check.
- Relaxing gain-sharing trigger 8% vs. 10%.
- Leveling of contribution rates so that a greater chance of benefit enhancements is possible.

Disability (2 votes)

- On duty disability.
- Reduced penalties for early/disability retirements.
- Improved disability provisions

Portability (0 votes)

- Portability between systems and between public and private plans.

Legislative Update - 2002 Session

JCPP Bills

The Joint Committee on Pension Policy recommended 10 bills for consideration by the 2002 legislature:

| <u>Subject</u> | <u>Disposition</u> |
|--|--------------------|
| Technical Corrections – HB 2387/SB 6374 | Passed |
| Federal Conformance - Veterans – HB 2388/SB 6375 | Passed |
| Plan 3 Corrections – SHB 2389/SB 6376 | Passed |
| LEOFF 2 Part-time Leave of Absence – HB 2391/SB 6378 | Passed |
| PERS Plan 2 CVEOs Transfer to WSP – HB 2392/SB 6379 | Passed |
| Survivor Benefits – HB 2393/ESB 6380 | Passed |
| PERS 1 Terminated Vested – HB 2394/SB 6381 | Passed |
| TRS 1 Extended School Year – HB 2390/SB 6377 | Not Passed |
| \$150,000 Death Benefit – SHB 2395/SB 6382 | Not Passed |
| Age 70½ Retirement – HB 2396/SB 6383 | Not Passed |

JCPP Bills Passed by the Legislature

Technical Corrections (JCPP) – HB 2387/SB 6374 (C 026 L 02)

This corrections bill corrects errors and oversights in statutes, such as incorrect cross references to other statutes.

- Removes erroneous references relating to certificated teaching employees.
- Reconciles existing statutes and removes references to restated LEOFF 1.
- Corrects erroneous cross-references in SERS Statutes.
- Includes PERS 3 and TRS 3 in statutes relating to benefit division orders.
- Resolves conflicts related to the partial veto of ESSB 5937 by decodifying the original statute governing post-retirement employment for PERS 1 and TRS 1.

Federal Conformance - Veterans (JCPP) – HB 2388/SB 6375 (C 027 L 02)

This corrections bill conforms state law with federal law regarding the definition of the Vietnam Era. The Vietnam Era is redefined as either (1) the period beginning August 5, 1964, and ending May 7, 1975, for all veterans or (2) the period beginning February 28, 1961, and ending May 7, 1975, for those veterans serving in the Republic of Vietnam during that period.

The bill also removes prohibitions on military service credit in the Public Employees' Retirement System and Washington State Patrol Retirement System for members receiving full military retirement.

LEOFF 2 Part-time Leave of Absence (JCPP) – HB 2391/SB 6378 (C 028 L 02)

This bill allows law enforcement members to continue to earn service credit for part-time leaves of absence, up to a two year maximum. The part-time leave must be authorized by the member's employer, and the member is prohibited from other employment during the part-time leave. Upon return to full-time employment, the member may purchase up to two years of service credit for the time worked during the part-time leave of absence. The member must pay the member, employer, and state contributions, plus interest, within five years of their return.

Plan 3 Corrections (JCPP) – SHB 2389/SB 6376

The designated period to qualify for the transfer payment for transferring from PERS Plan 2 to PERS Plan 3 is changed to June 2002 for employees of state agencies and higher education institutions and either June 2002 or February 2003 for employees of all other organizations. This will allow regular agency seasonal employees and employees on military leave of absence the opportunity to qualify for the additional transfer payment.

The Legislature passed this bill and delivered it to the Governor for signature.

PERS Plan 2 CVEOs Transfer to State Patrol (JCPP) – HB 2392/SB 6379

Under this bill, Commercial Vehicle Enforcement Officers (CVEO's) who became commissioned officers in the Washington State Patrol after July 1, 2000, and prior to June 30, 2001, would have the option of either remaining a member of the Public Employees' Retirement System Plan 2 or make an irrevocable choice to transfer their CVEO credit to the Washington State Patrol Retirement System (WSPRS). Those members who transfer service credit would have until December 31, 2010, or the date of retirement (whichever came first) to pay for the difference in employee and employer contributions, plus interest.

The Legislature passed this bill and delivered it to the Governor for signature.

Survivor Benefits (JCPP) – HB 2393/ESB 6380

New options for dividing survivor benefits in the future consistent with community property and divorce laws are created. The bill also provides courts with additional options for pension payments in the event of divorce for retirees and ex-spouses from PERS, TRS, SERS and LEOFF Plan 2.

By July 1, 2003, DRS must adopt rules offering an optional survivor benefit that provides for a division of the total benefits of a member and divorcing spouse into two separate, single-life benefits. The split benefits continue for the life of the nonmember spouse, regardless of whether the member is still alive.

If the division occurs before the member retires and they later remarry, the member is subject to the spousal survivor benefit requirements when they do retire. Subsequent reductions to create a new survivor benefit are made solely to the member's remaining benefit. The divorced spouse of the member is eligible to begin receiving their survivor benefit at age 60 in plan 1 systems, and age 65 in the plan 2/3 systems.

If the divorce occurs after the member retires, the separate single-life benefit option is available only to members who chose a survivor option at retirement. In this instance, the non-member spouse is eligible to begin receiving their benefit immediately. If the retired member elects to later remarry and create a new survivor benefit, the member's single-life benefit is actuarially reduced without impacting the ex-spouse's benefit.

For LEOFF 1 and WSPRS, an option is created that permits the divorcing spouse to claim both a portion of the member's benefit, and a portion of any future spouse's survivor benefit. In the event of the divorce of a LEOFF plan 1 member where the marriage lasted 25 years or more, the member had at least 30 years of service, and the divorce occurred on or after January 1, 1997, the ex-spouse shall receive any portion of the members benefit payment awarded to them in the divorce for their life, as if the member was still alive, rather than the divided benefit payments ending upon the member's death.

Persons who became LEOFF 1 surviving spouses prior to 1977 are allowed to remarry without losing their survivor benefits. This is consistent with those who became surviving spouses after 1977. The bill also adds a supplemental optional, actuarially reduced spousal survivor benefit to LEOFF plan 1 similar to the post-retirement marriage option added to the PERS, TRS, SERS, and LEOFF plan 2 by the 2000 Legislature.

The Legislature passed this bill and delivered it to the Governor for signature.

PERS 1 Terminated Vested (JCPP) – HB 2394/SB 6381

Currently, the Public Employees' Retirement System Plan 1 retirement age differs by five years depending on whether a member is active (age 60) or inactive (age 65) at the time of retirement. This bill would allow inactive members with at least 20 years of service who separate after reaching age 50 to retire at age 60 without a reduction in benefits. This new provision does not apply to members who have withdrawn all or part of their contributions.

The Legislature passed this bill and delivered it to the Governor for signature.

JCPP Bills Not Passed by the Legislature

TRS 1 Extended School Year (JCPP) – HB 2390/SB 6377

Some school districts have established extended school years which go beyond June 30, the end of the school year as defined in statute. This bill would permit Teachers' Retirement System Plan 1 teachers in extended school year programs to use either two consecutive fiscal years or two consecutive extended school years, as defined by their school districts, in the calculation of their average final compensation.

\$150,000 Death Benefit (JCPP) – SHB 2395/SB 6382

This bill would provide \$150,000 to TRS, SERS, or PERS employees who die as a result of injuries sustained in the course of employment. Employees of state agencies, institutions of higher education, and the common school system of the state who are not member of the retirement system will be provided a death benefit payable through sundry claims.

Age 70½ Retirement (JCPP) – HB 2396/SB 6383

This bill would allow PERS, SERS, and TRS members to terminate active membership and begin receiving their retirement benefits at age 70½ while continuing to work. Upon retiring, the employee no longer makes contributions or receives service credit but they may work and receive their retirement benefit without any reductions. Legislators and state-appointed officials would have the option of entering or leaving membership at the beginning of each term of office. If they opt out of service, the legislator or state-appointed official may apply to begin their benefit if otherwise eligible.

Other Pension Related Bills Passed by Legislature

Contribution Rates - 2000 Valuation – HB 2782 (C 007 L 02)

This bill establishes new employer, member, and state contribution rates for PERS, TRS, SERS, and LEOFF 2, based on the 1995-2000 actuarial experience study from the Office of the State Actuary. Contribution rates are effective beginning April 1, 2002.

| CONTRIBUTION RATES | | | | | | | |
|--------------------|------|----------|--------|--------|--------|--------|--------|
| System | Plan | Employer | | State | | Member | |
| | | 7/1/01 | 4/1/02 | 7/1/01 | 4/1/02 | 7/1/01 | 4/1/02 |
| PERS | 1 | | | – | – | 6.00% | 6.00% |
| | 2 | 1.54% | 1.10% | – | – | 0.88% | 0.65% |
| LEOFF | 1 | 0.00% | 0.00% | – | – | 0.00% | 0.00% |
| | 2 | 2.70% | 2.64% | 1.80% | 1.75% | 4.50% | 4.39% |
| SERS | 2 | 1.54% | 0.96% | – | – | 0.88% | 0.35% |
| TRS | 1 | | | – | – | 6.00% | 6.00% |
| | 2 | 2.75% | 1.05% | – | – | 1.23% | 0.15% |

Port Employees Supplemental Pensions – SHB 2895

This bill would allow port employees to join a private pension plan, subject to a labor agreement, without loss of eligibility in a state employees' retirement system.

The Legislature passed this bill and delivered it to the Governor for signature.

Other Pension Related Bills Not Passed by Legislature

SERS Optional Service Credit for Substitute Service – HB 2433/SB 6573

This bill allows a substitute school employee who is a SERS member to apply to DRS for service credit after the end of the school year during which the work was performed. The substitute may obtain service credit by paying the required contribution to the retirement system. The employer would then pay the required employer contribution upon notice from DRS that the substitute has made contributions.

PERS 2 Vietnam Service Credit – HB 2579

This bill would amend the Public Employees' Retirement System (PERS) Plan 2 military service statute to provide for up to five years of credit to veterans of the Vietnam War Conflict. To be eligible, a PERS Plan 2 member must first complete twenty-five years of creditable service and restore all withdrawn accumulated contributions. The person must have received an honorable discharge or received a discharge for physical reasons with an honorable record.

Voluntary Accounts – HB 2627

This bill would establish the Washington Voluntary Accounts program. All Washington private employers would have the option to voluntarily participate in a defined contribution retirement plan managed by the Department of Retirement Systems.

Contribution Rates - Governor's – HB 2638

This bill finds that in 2002 the public employees' retirement system plan 2, the teachers' retirement system plans 2 and 3, and the school employees' retirement system plans 2 and 3 are more than fully funded as defined in RCW 41.45.020.

It declares that it is prudent to impose a full funding limit on the employer contributions to these plans, and a full funding limit to the employee contributions to the public employees' retirement system plan 2, the teachers' retirement system plan 2, and the school employees' retirement system plan 2.

It finds that given the fund balances in these plans, it is appropriate to use another recognized actuarial method, the projected unit credit method, by which to more prudently fund these plans in the future.

Gainsharing - PERS 1 and TRS 1 – HB 2756

Provides that, beginning January 1, 2003, and on January 1st of odd-numbered years thereafter, the amount of extraordinary investment gains, if any, shall be used to provide a lump sum payment to each PERS 1 and TRS 1 retiree.

Liquor Control Officer Early Retirement – HB 2788

This bill would allow any liquor control officer member with at least twenty-five service credit years who has attained at least age fifty-five to retire and receive an unreduced retirement allowance computed under RCW 41.40.620.

LEOFF Disability Board Elections – HB 2891

LEOFF Plan 2 members may continue to serve on LEOFF 1 disability boards, but they must be elected by the LEOFF 1 members who are subject to the jurisdiction of that board.

EMTs into LEOFF 2 – SHB 2896/SB 6781

This bill affects EMTs who were members of PERS and whose job was relocated from another department of a city, town, or county government to a fire department of that same city, town, or county. These EMT's would have an irrevocable option to join LEOFF 2; should they join, they could choose to transfer their PERS service credit and pay the difference in employee contributions and interest that would have been paid had their entire service been in LEOFF 2. The employee must complete this payment no later than

five years from the date of their transfer application or retirement, whichever comes first. The difference between employer contributions made to PERS 2 and the employer and state contributions that would have been made in LEOFF 2 become liabilities of LEOFF 2 and are incorporated into the LEOFF 2 contribution rate.

Retirement Incentive Programs – HB 2909

This bill would temporarily allow employers facing certain compelling conditions such as staff reductions, facility closures, or privatization of service the option to provide retirement incentives to members of TRS, SERS, PERS, LEOFF, and WSPRS Plan 1.

- Members within five years of retirement could retire early with a 3% reduction per year.
- Members not within five years of retirement could retire early with a full actuarial reduction.
- Employers would also have the option of offering other types of retirement incentives, including incentives to those already eligible to retire.
- Employers providing early retirement options would have to pay the full actuarial present value plus interest of any increase in the cost to the respective retirement system. The payment would have to be made within 5 years of retirement.
- Retirement allowances will cease for retirees under this plan who return to work with their same employer until they separate for at least one month. Retirees can work up to eight hundred sixty-seven hours for a different employer before their pension is suspended.
- The incentives provided by the this bill would expire on June 30, 2003.

State Pension Board – HB 2917

This bill would create a State Pension Board (Board) representing members and retirees of PERS, SERS, and TRS. Members would include:

- Four active members appointed by the Governor;
- Two retired members appointed by the Governor;
- One representative from local government, appointed by the Governor;
- One representative of school directors, appointed by the Governor;and
- Four legislators (one from each major party in the Senate and one from each major party in the House).
- The directors of the DRS, OFM, and SIB would serve as ex officio nonvoting members.

Duties of the Board would include reviewing of and reporting on pension issues and making recommendations on pension policies, statutes, plan organization, and contribution rates. The Board would appoint an actuary to give it advice.

DRS would be required to provide annual financial reports in conjunction with the Office of the State Actuary, SIB, the actuary advising the Board, and active and retired members. Every four years, an interagency task force will review and make recommendations to the Board on best practices.

This bill also eliminates the existing Pension Funding Council and Pension Funding Work Group.

PERS Port Employees Private Pension Membership – HB 2923

This bill would allow port employees to join a private pension plan without loss of eligibility in a state employees' retirement system.

State Pension Oversight Board – HB 2930

This bill would create a State Pension Oversight Board (Board). Membership would include:

- Four active members or representatives from organizations of active members, appointed by the Governor;
- Four retired members or representatives from organizations of retired members, with no two members from the same system, appointed by the Governor;
- Five employer representatives, appointed by the Governor;
- The directors of the Department of Retirement Systems(DRS), Financial Management (OFM), and State Investment Board (SIB); and
- Four legislators (one from each major party in the Senate and one from each major party in the House). The four legislators would be nonvoting members.

Duties of the Board would include reviewing and reporting on pension issues and making recommendations on pension policies, statutes, plan organization, and contribution rates.

DRS would be required to provide annual financial reports in conjunction with the Office of the State Actuary, SIB, the actuary advising the Board, and active and retired members. Every four years, an interagency task force will review and make recommendations to the Board on best practices.

DRS would provide staff and actuarial services to the Board.

LEOFF Plan 2 Governance – HB 2931

This bill would establish a LEOFF 2 Board of Trustees comprised of:

- Three active law enforcement officers with a retiree filling one of the seats upon the first vacancy;
- Three active fire fighters with a retiree filling one of the seats upon the first vacancy;
- Three employer representatives;
- One member of the House; and
- One member of the Senate.

This board would:

- Provide for additional benefits for LEOFF Plan 2 members;
- Provide for the adoption of actuarial standards for the plan; and
- Establish employee, employer, and state contribution rates based on the current 50%-30%-20% ratio.

All Board decisions would be final, subject to judicial review. The Department of Retirement Systems and the Office of the State Actuary would have until December 15, 2002, to propose legislation enacting this bill.

Select Committee on Pension Policy – HB 3010

This bill would create the Select Committee on Pension Policy. Membership would include:

- Four Senators (two from each caucus);
- Four Representatives (two from each caucus);
- Four active members or representatives of active members ;
- Two retired members or representatives of retired members; and
- Two employer representatives.

The Committee's powers and duties would include:

- Studying pension issues, develop pension policies for public employees in state retirement systems, and make recommendations to the legislature; and
- Studying the financial condition of the state pension systems, develop funding policies, and make recommendations to the legislature.

The bill also eliminates the Joint Committee on Pension Policy and authorizes the Pension Funding Council to appoint or remove the state actuary by a two-thirds vote of the Council.

PERS 2 Early Retirement – SB 6541

This bill would allow any member who has completed at least twenty service credit years and has attained age fifty-five to retire with a retirement allowance reduced by three percent per year for the difference between the members age at retirement and the attainment of age sixty-five.

Limiting Post-Retirement Hiring – SB 6646

This bill would limit post-retirement employment hiring in the Public Employees' Retirement System and the Teachers' Retirement System to jobs with fewer than four non-retired applicants.

PERS Retire Rehire – SB 6778

Under this bill, a Public Employees' Retirement System retiree who has satisfied the waiting period would be allowed to enter into a contract with an employer guaranteeing the retiree's continued employment for a period not to exceed one year.

TRS - Multi-State Pensions – HCR 4425

This House concurrent resolution would require the Joint Committee on Pension Policy (JCPP) to study issues related to teachers who have taught in other states. The JCPP would report to the Legislature on the results of its study during the 2003 - 2005 fiscal biennium.

Other Legislation with Potential Impact

| <u>Subject</u> | <u>Bill #</u> |
|--|----------------------|
| Collective bargaining/civil service reform – SHB 1268 | Passed |
| Fish & Wildlife enforcement authority – ESSB 6076 | Passed |
| TIAA-CREF Supplementation cap – SHB 2632 | Not Passed |
| Firefighter presumptive disability – 2SHB 2663/SB 6643 | Not Passed |
| PERS membership enforcement – ESSB 5264 | Not Passed |
| Definition of veteran – ESB 5626 | Not Passed |
| Health care for local government retirees – ESSB 5777 | Not Passed |

INITIATIVE 790

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 790 to the People is a true and correct copy as it was received by this office.

1 AN ACT Relating to the law enforcement officers' and fire fighters'
2 retirement system, plan 2; adding new sections to chapter 41.26 RCW;
3 creating new sections; and providing an effective date.

4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** OVERVIEW. The law enforcement officers' and
6 fire fighters' retirement system plan 2 is currently subject to
7 policymaking by the legislature's joint committee on pension policy
8 with ratification by the members of the legislature and is administered
9 by the department of retirement systems.

10 Members of the plan have no direct input into the management of
11 their retirement program. Forty-six other states currently have member
12 representation in their pension management. This act is intended to
13 give management of the retirement program to the people whose lives are
14 directly affected by it and who provide loyal and valiant service to
15 ensure the health, safety, and welfare of the citizens of the state of
16 Washington.

17 NEW SECTION. **Sec. 2.** INTENT. It is the intent of this act to:

(1) Establish a board of trustees responsible for the adoption of actuarial standards to be applied to the plan;

(2) Provide for additional benefits for fire fighters and law enforcement officers subject to the cost limitations provided for in this act;

(3) Exercise fiduciary responsibility in the oversight of those pension management functions assigned to the board;

(4) Provide effective monitoring of the plan by providing an annual report to the legislature, to the members and beneficiaries of the plan, and to the public;

(5) Establish contribution rates for employees, employers, and the state of Washington that will guaranty viability of the plan, subject to the limitations provided for in this act;

(6) Provide for an annual budget and to pay costs from the trust, as part of the normal cost of the plan; and

(7) Enable the board of trustees to retain professional and technical advisors as necessary for the fulfillment of their statutory responsibilities.

NEW SECTION. **Sec. 3.** DEFINITIONS. The definitions in this section apply throughout this act unless the context clearly requires otherwise.

(1) "Member" or "beneficiary" means:

(a) Current and future law enforcement officers and fire fighters who are contributing to the plan;

(b) Retired employees or their named beneficiaries who receive benefits from the plan; and

(c) Separated vested members of the plan who are not currently receiving benefits.

(2) "Plan" means the law enforcement officers' and fire fighters' retirement system plan 2.

(3) "Actuary" means the actuary employed by the board of trustees.

(4) "State actuary" means the actuary employed by the department.

(5) "Board" means the board of trustees.

(6) "Board member" means a member of the board of trustees.

(7) "Department" means the department of retirement systems.

(8) "Minimum benefits" means those benefits provided for in chapter 41.26 RCW as of July 1, 2003.

(9) "Employer" means the same as under RCW 41.26.030(2)(b).

(10) "Enrolled actuary" means an actuary who is enrolled under the employee retirement income security act of 1974 (Subtitle C of Title III) and who is a member of the society of actuaries or the American academy of actuaries.

(11) "Increased benefit" means a benefit in addition to the minimum benefits.

(12) "Trust" means the assets of the plan.

(13) "Benefits" means the age or service or combination thereof required for retirement, the level of service and disability retirement benefits, survivorship benefits, payment options including a deferred retirement option plan, average final compensation, postretirement cost of living adjustments, including health care and the elements of compensation. Benefits shall not include the classifications of employment eligible to participate in the plan.

(14) "Actuarially sound" means the plan is sufficiently funded to meet its projected liabilities and to defray the reasonable expenses of its operation based upon commonly accepted, sound actuarial principles.

NEW SECTION. **Sec. 4.** BOARD OF TRUSTEES CREATED--SELECTION OF TRUSTEES--TERMS OF OFFICE--VACANCIES. (1) An eleven member board of trustees is hereby created.

(a) Three of the board members shall be active law enforcement officers who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be a retired law enforcement officer who is a member of the plan. The law enforcement officer board members shall be appointed by the governor from a list provided by a recognized statewide council whose membership consists exclusively of guilds, associations, and unions representing state and local government police officers, deputies, and sheriffs and excludes federal law enforcement officers.

(b) Three of the board members shall be active fire fighters who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be a retired fire fighter who is a member of the plan. The fire fighter board member shall be appointed by the governor from a list provided by a recognized statewide council, affiliated with an international association representing the interests of fire fighters.

(c) Three of the board members shall be representatives of employers and shall be appointed by the governor.

(d) One board member shall be a member of the house of representatives who is appointed by the governor based on the recommendation of the speaker of the house of representatives.

(e) One board member shall be a member of the senate who is appointed by the governor based on the recommendation of the majority leader of the senate.

(2) The initial law enforcement officer and fire fighter board members shall serve terms of six, four, and two years, respectively. Thereafter, law enforcement officer and fire fighter board members serve terms of six years. The remaining board members serve terms of four years. Board members may be reappointed to succeeding terms without limitation. Board members shall serve until their successors are appointed and seated.

(3) In the event of a vacancy on the board, the vacancy shall be filled in the same manner as prescribed for an initial appointment.

NEW SECTION. **Sec. 5.** POWERS OF THE BOARD OF TRUSTEES--MEETING PROCEDURES--QUORUM--JUDICIAL REVIEW--BUDGET OF THE BOARD OF TRUSTEES.

(1) The board of trustees have the following powers and duties and shall:

(a) Adopt actuarial tables, assumptions, and cost methodologies in consultation with an enrolled actuary retained by the board. The state actuary shall provide assistance when the board requests. The actuary retained by the board shall utilize the aggregate actuarial cost method, or other recognized actuarial cost method based on a level percentage of payroll, as that term is employed by the American academy of actuaries. In determining the reasonableness of actuarial valuations, assumptions, and cost methodologies, the actuary retained by the board shall provide a copy of all such calculations to the state actuary. If the two actuaries concur on the calculations, contributions shall be made as set forth in the report of the board's actuary. If the two actuaries cannot agree, they shall appoint a third, independent, enrolled actuary who shall review the calculations of the actuary retained by the board and the state actuary. Thereafter, contributions shall be based on the methodology most closely following that of the third actuary;

(b)(i) Provide for the design and implementation of increased benefits for members and beneficiaries of the plan, subject to the contribution limitations under section 6 of this act. An increased

benefit may not be approved by the board until an actuarial cost of the benefit has been determined by the actuary and contribution rates adjusted as may be required to maintain the plan on a sound actuarial basis. Increased benefits as approved by the board shall be presented to the legislature on January 1st of each year. The increased benefits as approved by the board shall become effective within ninety days unless a bill is enacted in the next ensuing session of the legislature, by majority vote of each house of the legislature, repealing the action of the board;

(ii) As an alternative to the procedure in (b)(i) of this subsection, recommend to the legislature changes in the benefits for members and beneficiaries, without regard to the cost limitations in section 6(3) of this act. Benefits adopted in this manner shall have the same contractual protections as the minimum benefits in the plan. The recommendations of the board shall be presented to the legislature on January 1st of each year. These measures shall take precedence over all other measures in the legislature, except appropriations bills, and shall be either enacted or rejected without change or amendment by the legislature before the end of such regular session;

(c) Retain professional and technical advisors necessary for the accomplishment of its duties. The cost of these services may be withdrawn from the trust;

(d) Consult with the department for the purpose of improving benefit administration and member services;

(e) Provide an annual report to the governor and the legislature setting forth the actuarial funding status of the plan and making recommendations for improvements in those aspects of retirement administration directed by the legislature or administered by the department;

(f) Establish uniform administrative rules and operating policies in the manner prescribed by law;

(g) Engage administrative staff and acquire office space independent of, or in conjunction with, the department. The department shall provide funding from its budget for these purposes;

(h) The board shall publish on an annual basis a schedule of increased benefits together with a summary of the minimum benefits as established by the legislature which shall constitute the official plan document; and

1 (i) Be the fiduciary of the plan and discharge the board's duties
2 solely in the interest of the members and beneficiaries of the plan.

3 (2) Meetings of the board of trustees shall be conducted as
4 follows:

5 (a) All board meetings are open to the public, preceded by timely
6 public notice;

7 (b) All actions of the board shall be taken in open public session,
8 except for those matters which may be considered in executive session
9 as provided by law;

10 (c) The board shall retain minutes of each meeting setting forth
11 the names of those board members present and absent, and their voting
12 record on any voted issue; and

13 (d) The board may establish, with the assistance of the appropriate
14 office of state government, an internet web site providing for
15 interactive communication with state government, members and
16 beneficiaries of the plan, and the public.

17 (3) A quorum of the board is six board members. All board actions
18 require six concurring votes.

19 (4) The decisions of the board shall be made in good faith and are
20 final, binding, and conclusive on all parties. The decisions of the
21 board shall be subject to judicial review as provided by law.

22 (5) A law enforcement officers' and fire fighters' retirement
23 system plan 2 expense fund is established for the purpose of defraying
24 the expenses of the board. The board shall cause an annual budget to
25 be prepared consistent with the requirements of chapter 43.88 RCW and
26 shall draw the funding for the budget from the investment income of the
27 trust. Board members shall be reimbursed for travel and education
28 expenses as provided in RCW 43.03.050 and 43.03.060. The board shall
29 make an annual report to the governor, legislature, and state auditor
30 setting forth a summary of the costs and expenditures of the plan for
31 the preceding year. The board shall also retain the services of an
32 independent, certified public accountant who shall annually audit the
33 expenses of the fund and whose report shall be included in the board's
34 annual report.

35 NEW SECTION. **Sec. 6.** CONTRIBUTIONS. (1) The board of trustees
36 shall establish contributions as set forth in this section. The cost
37 of the minimum benefits as defined in this plan shall be funded on the
38 following ratio:

1 Employee contributions 50%

2 Employer contributions 30%

3 State contributions 20%

4 (2) The minimum benefits shall constitute a contractual obligation
5 of the state and the contributing employers and may not be reduced
6 below the levels in effect on July 1, 2003. The state and the
7 contributing employers shall maintain the minimum benefits on a sound
8 actuarial basis in accordance with the actuarial standards adopted by
9 the board.

10 (3) Increased benefits created as provided for in section 5 of this
11 act are granted on a basis not to exceed the contributions provided for
12 in this section. In addition to the contributions necessary to
13 maintain the minimum benefits, for any increased benefits provided for
14 by the board, the employee contribution shall not exceed fifty percent
15 of the actuarial cost of the benefit. In no instance shall the
16 employee cost exceed ten percent of covered payroll without the consent
17 of a majority of the affected employees. Employer contributions shall
18 not exceed thirty percent of the cost, but in no instance shall the
19 employer contribution exceed six percent of covered payroll. State
20 contributions shall not exceed twenty percent of the cost, but in no
21 instance shall the state contribution exceed four percent of covered
22 payroll. Employer contributions may not be increased above the maximum
23 under this section without the consent of the governing body of the
24 employer. State contributions may not be increased above the maximum
25 provided for in this section without the consent of the legislature.
26 In the event that the cost of maintaining the increased benefits on a
27 sound actuarial basis exceeds the aggregate contributions provided for
28 in this section, the board shall submit to the affected members of the
29 plan the option of paying the increased costs or of having the
30 increased benefits reduced to a level sufficient to be maintained by
31 the aggregate contributions. The reduction of benefits in accordance
32 with this section shall not be deemed a violation of the contractual
33 rights of the members, provided that no reduction may result in
34 benefits being lower than the level of the minimum benefits.

35 (4) The board shall manage the trust in a manner that maintains
36 reasonable contributions and administrative costs. Providing
37 additional benefits to members and beneficiaries is the board's
38 priority.

1 (5) All earnings of the trust in excess of the actuarially assumed
2 rate of investment return shall be used exclusively for additional
3 benefits for members and beneficiaries.

4 NEW SECTION. **Sec. 7.** NONAPPLICABILITY OF JOINT COMMITTEE ON
5 PENSION POLICY AND PENSION FUNDING COUNCIL. The joint committee on
6 pension policy established in RCW 44.44.050, and the pension funding
7 council created in RCW 41.45.100, shall have no applicability or
8 authority over matters relating to this plan.

9 NEW SECTION. **Sec. 8.** ASSET MANAGEMENT. Assets of the plan shall
10 be managed by the state investment board as provided by law.

11 NEW SECTION. **Sec. 9.** SEVERABILITY. If any provision of this act
12 or its application to any person or circumstance is held invalid, the
13 remainder of the act or the application of the provision to other
14 persons or circumstances is not affected.

15 NEW SECTION. **Sec. 10.** CAPTIONS NOT LAW. Captions used in this
16 act are not any part of the law.

17 NEW SECTION. **Sec. 11.** IMPLEMENTING LEGISLATION. The department
18 of retirement systems and the office of the state actuary shall prepare
19 and submit to the fiscal committees of the legislature by January 15,
20 2003, proposed legislation for implementing this act.

21 NEW SECTION. **Sec. 12.** CODIFICATION. Sections 1 through 9 of this
22 act are each added to chapter 41.26 RCW.

23 NEW SECTION. **Sec. 13.** EFFECTIVE DATE. Except for section 11 of
24 this act, the remainder of this act takes effect July 1, 2003.

--- END ---

SUBSTITUTE HOUSE BILL 3010

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Fromhold, McIntire, Conway, Cooper, Hunt and Sullivan)

Read first time 03/04/2002. Referred to Committee on .

1 AN ACT Relating to creating the select committee on pension policy;
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.100, 44.04.260, and
3 44.44.030; reenacting and amending RCW 41.32.570; adding new sections
4 to chapter 41.04 RCW; decodifying RCW 41.54.061; and repealing RCW
5 44.44.015, 44.44.050, and 44.44.060.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate ways and means committee appointed
12 by the president of the senate, two of whom are members of the majority
13 party and two of whom are members of the minority party;

14 (b) Four members of the house of representatives appropriations
15 committee appointed by the speaker, two of whom are members of the
16 majority party and two of whom are members of the minority party;

17 (c) Four active members or representatives from organizations of
18 active members of the state retirement systems appointed by the
19 governor for staggered three-year terms;

1 (d) Two retired members or representatives of retired members'
2 organizations of the state retirement systems appointed by the governor
3 for staggered three-year terms, with no two members from the same
4 system; and

5 (e) Two employer representatives of members of the state retirement
6 systems appointed by the governor for staggered three-year terms.

7 (2)(a) The term of office of each member of the house of
8 representatives or senate serving on the committee runs from the close
9 of the session in which he or she is appointed until the close of the
10 next regular session held in an odd-numbered year. If a successor is
11 not appointed during a session, the member's term continues until the
12 member is reappointed or a successor is appointed. The term of office
13 for a committee member who is a member of the house of representatives
14 or the senate who does not continue as a member of the senate or house
15 of representatives ceases upon the convening of the next session of the
16 legislature during the odd-numbered year following the member's
17 appointment, or upon the member's resignation, whichever is earlier.
18 All vacancies of positions held by members of the legislature must be
19 filled from the same political party and from the same house as the
20 member whose seat was vacated.

21 (b) Following the terms of members and representatives appointed
22 under subsection (1)(d) of this section, the retiree positions shall be
23 rotated to ensure that each system has an opportunity to have a retiree
24 representative on the committee.

25 (3) The committee shall elect a chairperson and a vice-chairperson.

26 (4) The committee shall establish an executive committee of four
27 members, including the chairperson and the vice-chairperson.

28 (5) Nonlegislative members of the select committee serve without
29 compensation, but shall be reimbursed for travel expenses under RCW
30 43.03.050 and 43.03.060.

31 (6) The office of state actuary under chapter 44.44 RCW shall
32 provide staff and technical support to the committee.

33 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
34 read as follows:

35 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
36 section, all expenses of the administration of the department ((and)),
37 the expenses of administration of the retirement systems, and the
38 expenses of the administration of the office of the state actuary

1 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
2 ((and)) 43.43, and 44.44 RCW shall be paid from the department of
3 retirement systems expense fund.

4 (2) In order to reimburse the department of retirement systems
5 expense fund on an equitable basis the department shall ascertain and
6 report to each employer, as defined in RCW 41.26.030, 41.32.010,
7 41.35.010, or 41.40.010, the sum necessary to defray its proportional
8 share of the entire expense of the administration of the retirement
9 system that the employer participates in during the ensuing biennium or
10 fiscal year whichever may be required. Such sum is to be computed in
11 an amount directly proportional to the estimated entire expense of the
12 administration as the ratio of monthly salaries of the employer's
13 members bears to the total salaries of all members in the entire
14 system. It shall then be the duty of all such employers to include in
15 their budgets or otherwise provide the amounts so required.

16 (3) The department shall compute and bill each employer, as defined
17 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
18 each month for the amount due for that month to the department of
19 retirement systems expense fund and the same shall be paid as are its
20 other obligations. Such computation as to each employer shall be made
21 on a percentage rate of salary established by the department. However,
22 the department may at its discretion establish a system of billing
23 based upon calendar year quarters in which event the said billing shall
24 be at the end of each such quarter.

25 (4) The director may adjust the expense fund contribution rate for
26 each system at any time when necessary to reflect unanticipated costs
27 or savings in administering the department.

28 (5) An employer who fails to submit timely and accurate reports to
29 the department may be assessed an additional fee related to the
30 increased costs incurred by the department in processing the deficient
31 reports. Fees paid under this subsection shall be deposited in the
32 retirement system expense fund.

33 (a) Every six months the department shall determine the amount of
34 an employer's fee by reviewing the timeliness and accuracy of the
35 reports submitted by the employer in the preceding six months. If
36 those reports were not both timely and accurate the department may
37 prospectively assess an additional fee under this subsection.

38 (b) An additional fee assessed by the department under this
39 subsection shall not exceed fifty percent of the standard fee.

(c) The department shall adopt rules implementing this section.
(6) Expenses other than those under RCW 41.34.060(~~((+2))~~) (3) shall be paid pursuant to subsection (1) of this section.

Sec. 3. RCW 44.44.040 and 1987 c 25 s 3 are each amended to read as follows:

The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law. (~~((Reimbursement for such services shall be made to the state actuary pursuant to the provisions of RCW 39.34.130 as now or hereafter amended.))~~)

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.

(5) Provide such actuarial services to the legislature as may be requested from time to time.

(6) Provide staff and assistance to the committee established under RCW (~~((46.44.050))~~) 44.44.050.

NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW to read as follows:

1 The select committee on pension policy has the following powers and
2 duties:

3 (1) Study pension issues, develop pension policies for public
4 employees in state retirement systems, and make recommendations to the
5 legislature; and

6 (2) Study the financial condition of the state pension systems,
7 develop funding policies, and make recommendations to the legislature.

8 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
9 s 1 are each reenacted and amended to read as follows:

10 (1)(a) If a retiree enters employment with an employer sooner than
11 one calendar month after his or her accrual date, the retiree's monthly
12 retirement allowance will be reduced by five and one-half percent for
13 every seven hours worked during that month. This reduction will be
14 applied each month until the retiree remains absent from employment
15 with an employer for one full calendar month.

16 (b) The benefit reduction provided in (a) of this subsection will
17 accrue for a maximum of one hundred forty hours per month. Any monthly
18 benefit reduction over one hundred percent will be applied to the
19 benefit the retiree is eligible to receive in subsequent months.

20 (2) Any retired teacher or retired administrator who enters service
21 in any public educational institution in Washington state and who has
22 satisfied the break in employment requirement of subsection (1) of this
23 section shall cease to receive pension payments while engaged in such
24 service, after the retiree has rendered service for more than one
25 thousand five hundred hours in a school year. When a retired teacher
26 or administrator renders service beyond eight hundred sixty-seven
27 hours, the department shall collect from the employer the applicable
28 employer retirement contributions for the entire duration of the
29 member's employment during that fiscal year.

30 (3) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (4) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five hundred twenty-five hours per
36 year without a reduction of his or her pension.

1 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
2 to read as follows:

3 (1)(a) If a retiree enters employment with an employer sooner than
4 one calendar month after his or her accrual date, the retiree's monthly
5 retirement allowance will be reduced by five and one-half percent for
6 every eight hours worked during that month. This reduction will be
7 applied each month until the retiree remains absent from employment
8 with an employer for one full calendar month.

9 (b) The benefit reduction provided in (a) of this subsection will
10 accrue for a maximum of one hundred sixty hours per month. Any benefit
11 reduction over one hundred percent will be applied to the benefit the
12 retiree is eligible to receive in subsequent months.

13 (2)(a) A retiree from plan 1 who has satisfied the break in
14 employment requirement of subsection (1) of this section and who enters
15 employment with an employer may continue to receive pension payments
16 while engaged in such service for up to one thousand five hundred hours
17 of service in a calendar year without a reduction of pension. When a
18 plan 1 member renders service beyond eight hundred sixty-seven hours,
19 the department shall collect from the employer the applicable employer
20 retirement contributions for the entire duration of the member's
21 employment during that calendar year.

22 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
23 employment requirement of subsection (1) of this section may work up to
24 eight hundred sixty-seven hours in a calendar year in an eligible
25 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
26 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
27 without suspension of his or her benefit.

28 (3) If the retiree opts to reestablish membership under RCW
29 41.40.023(12), he or she terminates his or her retirement status and
30 becomes a member. Retirement benefits shall not accrue during the
31 period of membership and the individual shall make contributions and
32 receive membership credit. Such a member shall have the right to again
33 retire if eligible in accordance with RCW 41.40.180. However, if the
34 right to retire is exercised to become effective before the member has
35 rendered two uninterrupted years of service, the retirement formula and
36 survivor options the member had at the time of the member's previous
37 retirement shall be reinstated.

1 (4) The department shall collect and provide the state actuary with
2 information relevant to the use of this section for the ((joint))
3 select committee on pension policy.

4 (5) The legislature reserves the right to amend or repeal this
5 section in the future and no member or beneficiary has a contractual
6 right to be employed for more than five months in a calendar year
7 without a reduction of his or her pension.

8 **Sec. 7.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read
9 as follows:

10 (1) The pension funding council is hereby created. The council
11 consists of the:

12 (a) Director of the department of retirement systems;

13 (b) Director of the office of financial management;

14 (c) Chair and ranking minority member of the house of
15 representatives appropriations committee; and

16 (d) Chair and ranking minority member of the senate ways and means
17 committee.

18 The council may select officers as the members deem necessary.

19 (2) The pension funding council shall adopt changes to economic
20 assumptions and contribution rates by an affirmative vote of at least
21 four members.

22 (3) The council may appoint or remove the state actuary by a two-
23 thirds vote of the council.

24 NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

25 **Sec. 9.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read
26 as follows:

27 The joint legislative audit and review committee, the legislative
28 transportation committee, the ((joint)) select committee on pension
29 policy, the legislative evaluation and accountability program
30 committee, and the joint legislative systems committee are subject to
31 such operational policies, procedures, and oversight as are deemed
32 necessary by the facilities and operations committee of the senate and
33 the executive rules committee of the house of representatives to ensure
34 operational adequacy of the agencies of the legislative branch. As
35 used in this section, "operational policies, procedures, and oversight"
36 includes the development process of biennial budgets, contracting

1 procedures, personnel policies, and compensation plans, selection of a
2 chief administrator, facilities, and expenditures. This section does
3 not grant oversight authority to the facilities and operations
4 committee of the senate over any standing committee of the house of
5 representatives or oversight authority to the executive rules committee
6 of the house of representatives over any standing committee of the
7 senate.

8 **Sec. 10.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
9 read as follows:

10 (1) Subject to RCW 44.04.260, the state actuary shall have the
11 authority to select and employ such research, technical, clerical
12 personnel, and consultants as the actuary deems necessary, whose
13 salaries shall be fixed by the actuary and approved by the ((joint
14 committee on pension policy)) pension funding council, and who shall be
15 exempt from the provisions of the state civil service law, chapter
16 41.06 RCW.

17 (2) All actuarial valuations and experience studies performed by
18 the office of the state actuary shall be signed by a member of the
19 American academy of actuaries. If the state actuary is not such a
20 member, the state actuary, after approval by the ((committee)) council,
21 shall contract for a period not to exceed two years with a member of
22 the American academy of actuaries to assist in developing actuarial
23 valuations and experience studies.

24 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
25 each repealed:

26 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;

27 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
28 terms, leadership) and 1987 c 25 s 4; and

29 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
30 duties) and 1987 c 25 s 5.

--- END ---

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: S-4910.1/02

ATTY/TYPIST: LL:seg

BRIEF DESCRIPTION:

2 **SHB 3010** - S AMD
3 By Senator Winsley

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. Sec. 1. A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate appointed by the president of the
12 senate, two of whom are members of the majority party and two of whom
13 are members of the minority party. At least three of the appointees
14 shall be members of the senate ways and means committee;

15 (b) Four members of the house of representatives appointed by the
16 speaker, two of whom are members of the majority party and two of whom
17 are members of the minority party. At least three of the appointees
18 shall be members of the house of representatives appropriations
19 committee;

20 (c) Four active members or representatives from organizations of
21 active members of the state retirement systems appointed by the
22 governor for staggered three-year terms;

23 (d) Two retired members or representatives of retired members'
24 organizations of the state retirement systems appointed by the governor
25 for staggered three-year terms, with no two members from the same
26 system;

27 (e) Four employer representatives of members of the state
28 retirement systems appointed by the governor for staggered three-year
29 terms; and

30 (f) The director of the office of financial management and the
31 director of the department of retirement systems.

32 (2)(a) The term of office of each member of the house of
33 representatives or senate serving on the committee runs from the close
34 of the session in which he or she is appointed until the close of the
35 next regular session held in an odd-numbered year. If a successor is
36 not appointed during a session, the member's term continues until the

1 member is reappointed or a successor is appointed. The term of office
2 for a committee member who is a member of the house of representatives
3 or the senate who does not continue as a member of the senate or house
4 of representatives ceases upon the convening of the next session of the
5 legislature during the odd-numbered year following the member's
6 appointment, or upon the member's resignation, whichever is earlier.
7 All vacancies of positions held by members of the legislature must be
8 filled from the same political party and from the same house as the
9 member whose seat was vacated.

10 (b) Following the terms of members and representatives appointed
11 under subsection (1)(d) of this section, the retiree positions shall be
12 rotated to ensure that each system has an opportunity to have a retiree
13 representative on the committee.

14 (3) The committee shall elect a chairperson and a vice-chairperson.
15 The chairperson shall be a member of the senate in even-numbered years
16 and a member of the house of representatives in odd-numbered years.

17 (4) The committee shall establish an executive committee of four
18 members, including the chairperson and the vice-chairperson.

19 (5) Nonlegislative members of the select committee serve without
20 compensation, but shall be reimbursed for travel expenses under RCW
21 43.03.050 and 43.03.060.

22 (6) The office of state actuary under chapter 44.44 RCW shall
23 provide staff and technical support to the committee.

24 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
25 read as follows:

26 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
27 section, all expenses of the administration of the department ((and)),
28 the expenses of administration of the retirement systems, and the
29 expenses of the administration of the office of the state actuary
30 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
31 ((and)) 43.43, and 44.44 RCW shall be paid from the department of
32 retirement systems expense fund.

33 (2) In order to reimburse the department of retirement systems
34 expense fund on an equitable basis the department shall ascertain and
35 report to each employer, as defined in RCW 41.26.030, 41.32.010,
36 41.35.010, or 41.40.010, the sum necessary to defray its proportional
37 share of the entire expense of the administration of the retirement
38 system that the employer participates in during the ensuing biennium or

1 fiscal year whichever may be required. Such sum is to be computed in
2 an amount directly proportional to the estimated entire expense of the
3 administration as the ratio of monthly salaries of the employer's
4 members bears to the total salaries of all members in the entire
5 system. It shall then be the duty of all such employers to include in
6 their budgets or otherwise provide the amounts so required.

7 (3) The department shall compute and bill each employer, as defined
8 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
9 each month for the amount due for that month to the department of
10 retirement systems expense fund and the same shall be paid as are its
11 other obligations. Such computation as to each employer shall be made
12 on a percentage rate of salary established by the department. However,
13 the department may at its discretion establish a system of billing
14 based upon calendar year quarters in which event the said billing shall
15 be at the end of each such quarter.

16 (4) The director may adjust the expense fund contribution rate for
17 each system at any time when necessary to reflect unanticipated costs
18 or savings in administering the department.

19 (5) An employer who fails to submit timely and accurate reports to
20 the department may be assessed an additional fee related to the
21 increased costs incurred by the department in processing the deficient
22 reports. Fees paid under this subsection shall be deposited in the
23 retirement system expense fund.

24 (a) Every six months the department shall determine the amount of
25 an employer's fee by reviewing the timeliness and accuracy of the
26 reports submitted by the employer in the preceding six months. If
27 those reports were not both timely and accurate the department may
28 prospectively assess an additional fee under this subsection.

29 (b) An additional fee assessed by the department under this
30 subsection shall not exceed fifty percent of the standard fee.

31 (c) The department shall adopt rules implementing this section.

32 (6) Expenses other than those under RCW 41.34.060(~~((+2))~~) (3) shall
33 be paid pursuant to subsection (1) of this section.

34 **Sec. 3.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
35 as follows:

36 The office of the state actuary shall have the following powers and
37 duties:

1 (1) Perform all actuarial services for the department of retirement
2 systems, including all studies required by law. (~~((Reimbursement for~~
3 ~~such services shall be made to the state actuary pursuant to the~~
4 ~~provisions of RCW 39.34.130 as now or hereafter amended.))~~)

5 (2) Advise the legislature and the governor regarding pension
6 benefit provisions, and funding policies and investment policies of the
7 state investment board.

8 (3) Consult with the legislature and the governor concerning
9 determination of actuarial assumptions used by the department of
10 retirement systems.

11 (4) Prepare a report, to be known as the actuarial fiscal note, on
12 each pension bill introduced in the legislature which briefly explains
13 the financial impact of the bill. The actuarial fiscal note shall
14 include: (a) The statutorily required contribution for the biennium
15 and the following twenty-five years; (b) the biennial cost of the
16 increased benefits if these exceed the required contribution; and (c)
17 any change in the present value of the unfunded accrued benefits. An
18 actuarial fiscal note shall also be prepared for all amendments which
19 are offered in committee or on the floor of the house of
20 representatives or the senate to any pension bill. However, a majority
21 of the members present may suspend the requirement for an actuarial
22 fiscal note for amendments offered on the floor of the house of
23 representatives or the senate.

24 (5) Provide such actuarial services to the legislature as may be
25 requested from time to time.

26 (6) Provide staff and assistance to the committee established under
27 RCW (~~((46.44.050))~~) 44.44.050.

28 NEW SECTION. Sec. 4. A new section is added to chapter 41.04 RCW
29 to read as follows:

30 The select committee on pension policy has the following powers and
31 duties:

32 (1) Study pension issues, develop pension policies for public
33 employees in state retirement systems, and make recommendations to the
34 legislature; and

35 (2) Study the financial condition of the state pension systems,
36 develop funding policies, and make recommendations to the legislature.

1 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
2 s 1 are each reenacted and amended to read as follows:

3 (1)(a) If a retiree enters employment with an employer sooner than
4 one calendar month after his or her accrual date, the retiree's monthly
5 retirement allowance will be reduced by five and one-half percent for
6 every seven hours worked during that month. This reduction will be
7 applied each month until the retiree remains absent from employment
8 with an employer for one full calendar month.

9 (b) The benefit reduction provided in (a) of this subsection will
10 accrue for a maximum of one hundred forty hours per month. Any monthly
11 benefit reduction over one hundred percent will be applied to the
12 benefit the retiree is eligible to receive in subsequent months.

13 (2) Any retired teacher or retired administrator who enters service
14 in any public educational institution in Washington state and who has
15 satisfied the break in employment requirement of subsection (1) of this
16 section shall cease to receive pension payments while engaged in such
17 service, after the retiree has rendered service for more than one
18 thousand five hundred hours in a school year. When a retired teacher
19 or administrator renders service beyond eight hundred sixty-seven
20 hours, the department shall collect from the employer the applicable
21 employer retirement contributions for the entire duration of the
22 member's employment during that fiscal year.

23 (3) The department shall collect and provide the state actuary with
24 information relevant to the use of this section for the ((joint))
25 select committee on pension policy.

26 (4) The legislature reserves the right to amend or repeal this
27 section in the future and no member or beneficiary has a contractual
28 right to be employed for more than five hundred twenty-five hours per
29 year without a reduction of his or her pension.

30 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
31 to read as follows:

32 (1)(a) If a retiree enters employment with an employer sooner than
33 one calendar month after his or her accrual date, the retiree's monthly
34 retirement allowance will be reduced by five and one-half percent for
35 every eight hours worked during that month. This reduction will be
36 applied each month until the retiree remains absent from employment
37 with an employer for one full calendar month.

1 (b) The benefit reduction provided in (a) of this subsection will
2 accrue for a maximum of one hundred sixty hours per month. Any benefit
3 reduction over one hundred percent will be applied to the benefit the
4 retiree is eligible to receive in subsequent months.

5 (2)(a) A retiree from plan 1 who has satisfied the break in
6 employment requirement of subsection (1) of this section and who enters
7 employment with an employer may continue to receive pension payments
8 while engaged in such service for up to one thousand five hundred hours
9 of service in a calendar year without a reduction of pension. When a
10 plan 1 member renders service beyond eight hundred sixty-seven hours,
11 the department shall collect from the employer the applicable employer
12 retirement contributions for the entire duration of the member's
13 employment during that calendar year.

14 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
15 employment requirement of subsection (1) of this section may work up to
16 eight hundred sixty-seven hours in a calendar year in an eligible
17 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
18 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
19 without suspension of his or her benefit.

20 (3) If the retiree opts to reestablish membership under RCW
21 41.40.023(12), he or she terminates his or her retirement status and
22 becomes a member. Retirement benefits shall not accrue during the
23 period of membership and the individual shall make contributions and
24 receive membership credit. Such a member shall have the right to again
25 retire if eligible in accordance with RCW 41.40.180. However, if the
26 right to retire is exercised to become effective before the member has
27 rendered two uninterrupted years of service, the retirement formula and
28 survivor options the member had at the time of the member's previous
29 retirement shall be reinstated.

30 (4) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (5) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five months in a calendar year
36 without a reduction of his or her pension.

37 **Sec. 7.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read
38 as follows:

(1) The pension funding council is hereby created. The council consists of the:

(a) Director of the department of retirement systems;

(b) Director of the office of financial management;

(c) Chair and ranking minority member of the house of representatives appropriations committee; and

(d) Chair and ranking minority member of the senate ways and means committee.

The council may select officers as the members deem necessary.

(2) The pension funding council shall adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members.

(3) The council may appoint or remove the state actuary by a two-thirds vote of the council.

NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

Sec. 9. RCW 44.04.260 and 2001 c 259 s 1 are each amended to read as follows:

The joint legislative audit and review committee, the legislative transportation committee, the ~~((joint))~~ select committee on pension policy, the legislative evaluation and accountability program committee, and the joint legislative systems committee are subject to such operational policies, procedures, and oversight as are deemed necessary by the facilities and operations committee of the senate and the executive rules committee of the house of representatives to ensure operational adequacy of the agencies of the legislative branch. As used in this section, "operational policies, procedures, and oversight" includes the development process of biennial budgets, contracting procedures, personnel policies, and compensation plans, selection of a chief administrator, facilities, and expenditures. This section does not grant oversight authority to the facilities and operations committee of the senate over any standing committee of the house of representatives or oversight authority to the executive rules committee of the house of representatives over any standing committee of the senate.

Sec. 10. RCW 44.44.030 and 2001 c 259 s 11 are each amended to read as follows:

1 (1) Subject to RCW 44.04.260, the state actuary shall have the
2 authority to select and employ such research, technical, clerical
3 personnel, and consultants as the actuary deems necessary, whose
4 salaries shall be fixed by the actuary and approved by the ((joint
5 ~~committee on pension policy~~)) pension funding council, and who shall be
6 exempt from the provisions of the state civil service law, chapter
7 41.06 RCW.

8 (2) All actuarial valuations and experience studies performed by
9 the office of the state actuary shall be signed by a member of the
10 American academy of actuaries. If the state actuary is not such a
11 member, the state actuary, after approval by the ((~~committee~~)) council,
12 shall contract for a period not to exceed two years with a member of
13 the American academy of actuaries to assist in developing actuarial
14 valuations and experience studies.

15 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
16 each repealed:

17 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;

18 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
19 terms, leadership) and 1987 c 25 s 4; and

20 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
21 duties) and 1987 c 25 s 5."

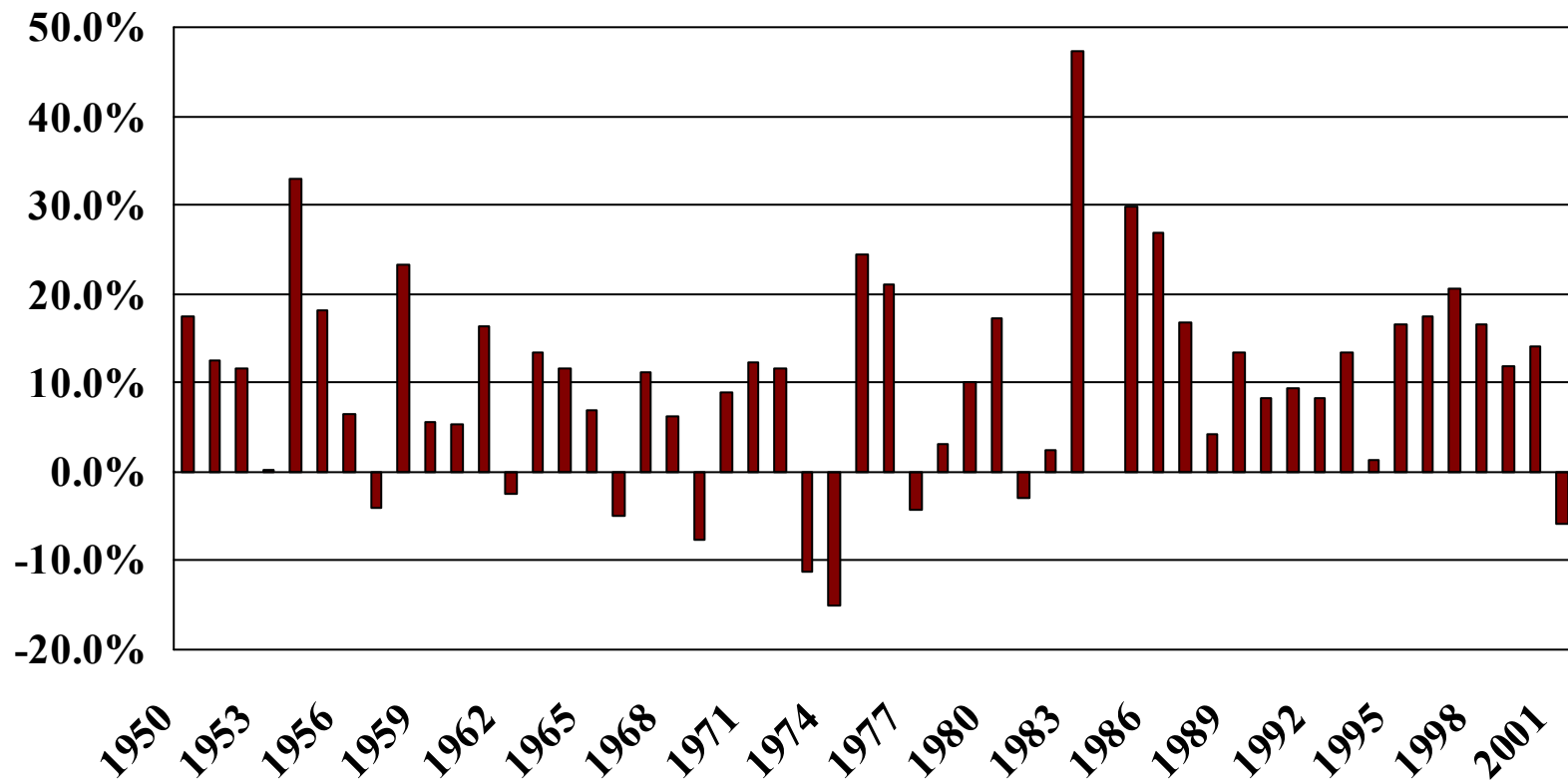
22 SHB 3010 - S AMD

23 By Senator

24
25 On page 1, line 1 of the title, after "policy;" strike the
26 remainder of the title and insert "amending RCW 41.50.110, 44.44.040,
27 41.40.037, 41.45.100, 44.04.260, and 44.44.030; reenacting and amending
28 RCW 41.32.570; adding new sections to chapter 41.04 RCW; decodifying
29 RCW 41.54.061; and repealing RCW 44.44.015, 44.44.050, and 44.44.060."

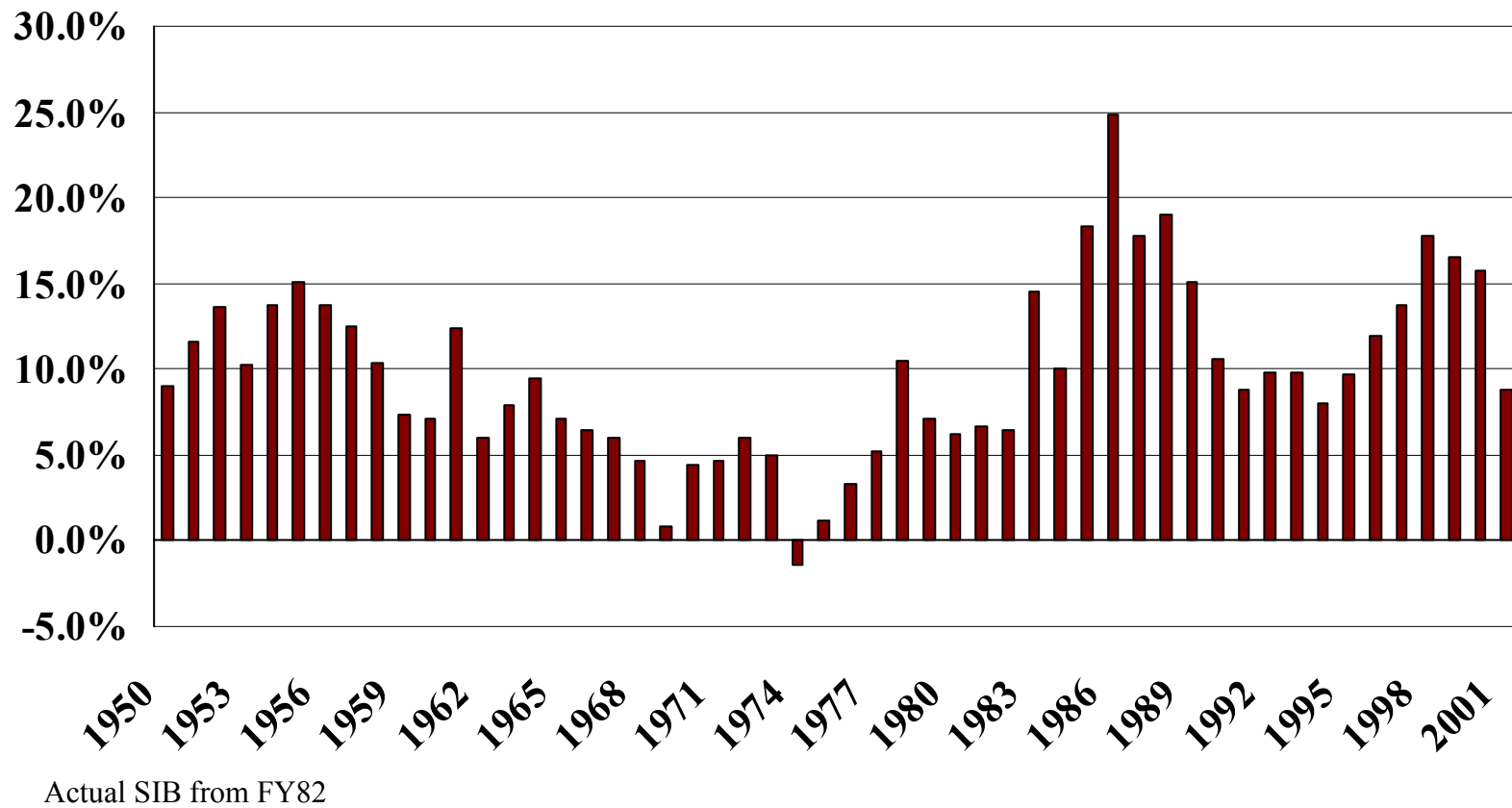
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Annual Rate of Return



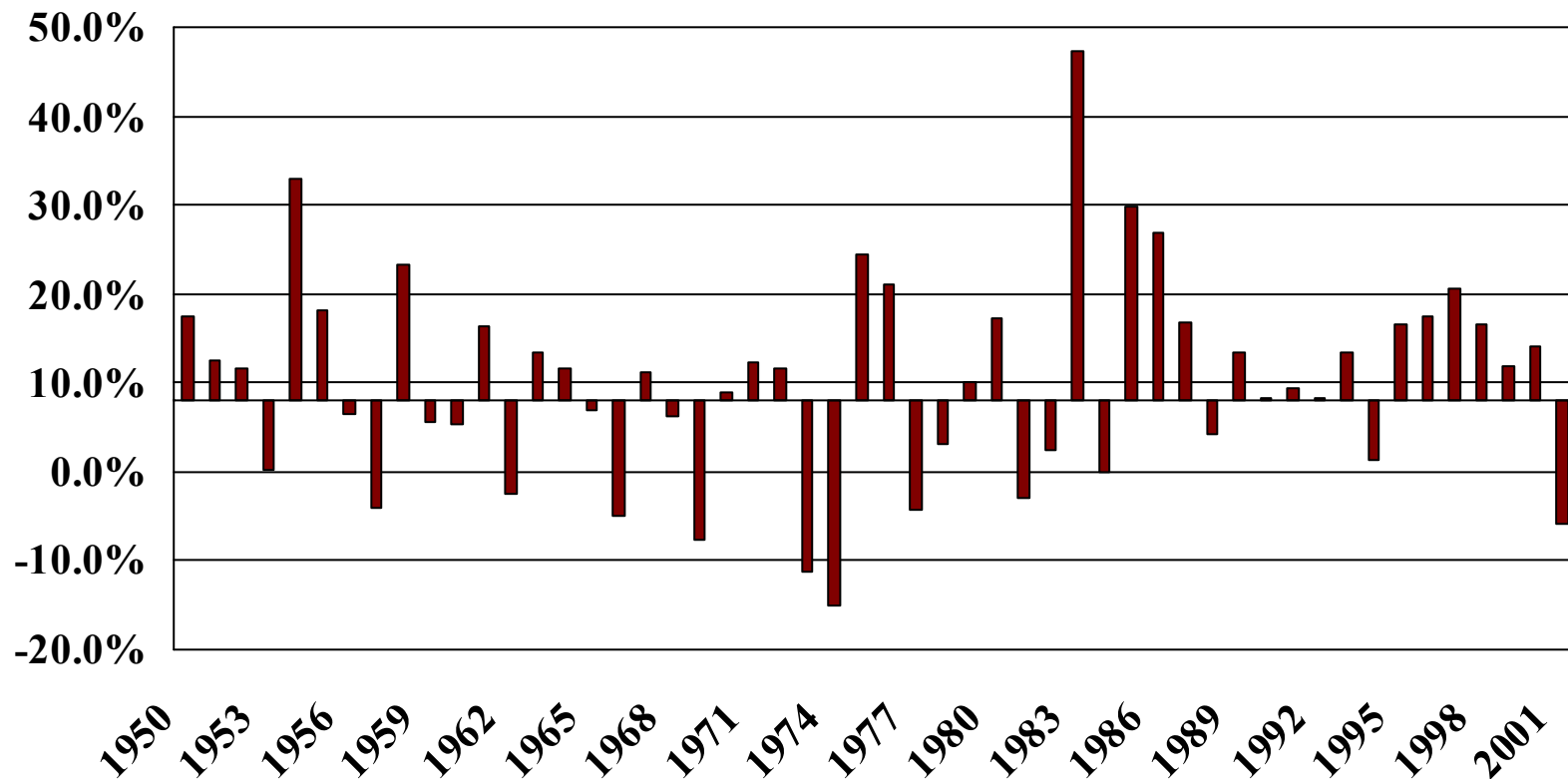
Actual SIB from FY82

4-Year Average Rate of Return



Annual Rate of Return

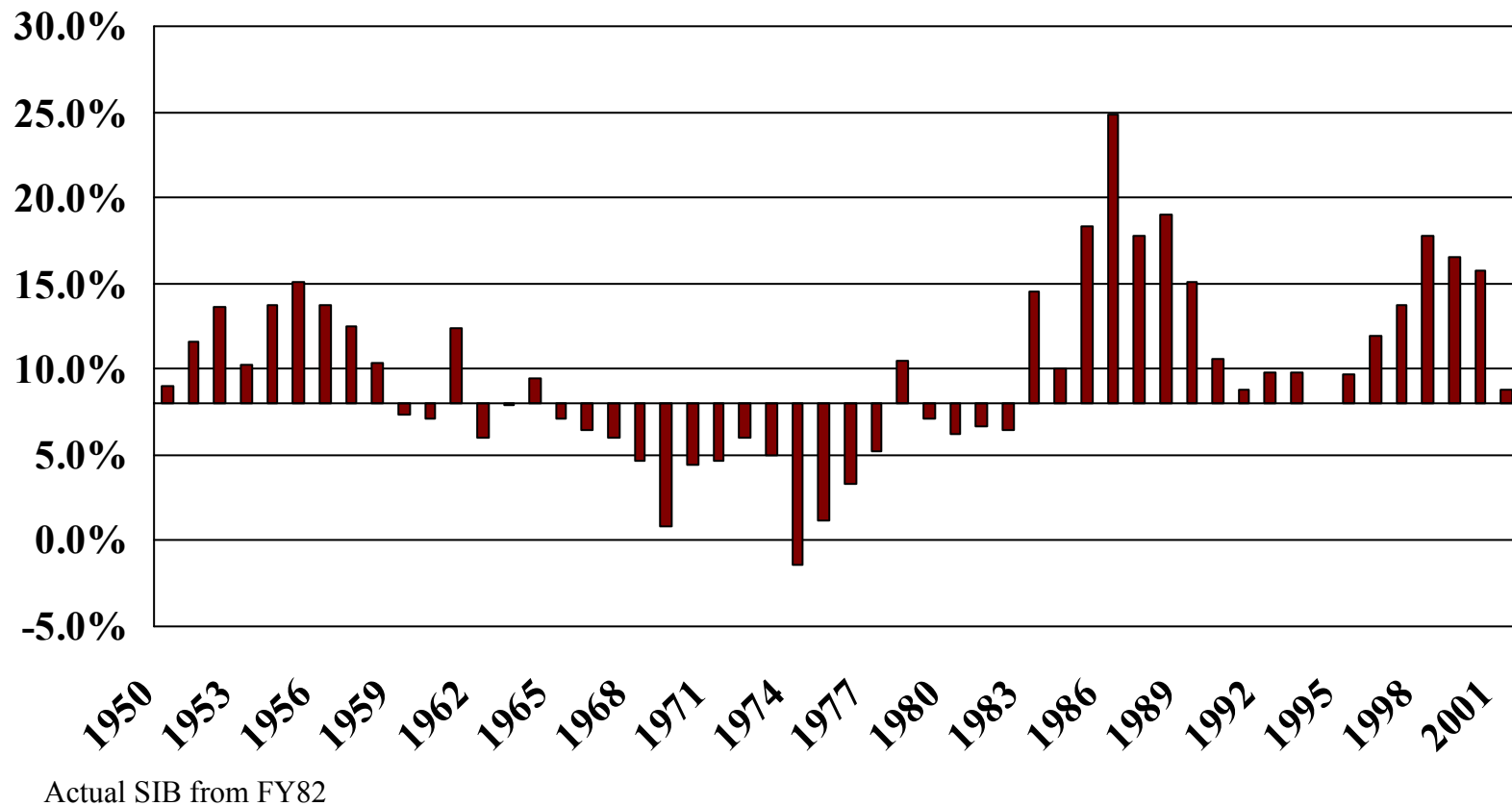
Relative to current actuarial assumption 8%



Actual SIB from FY82

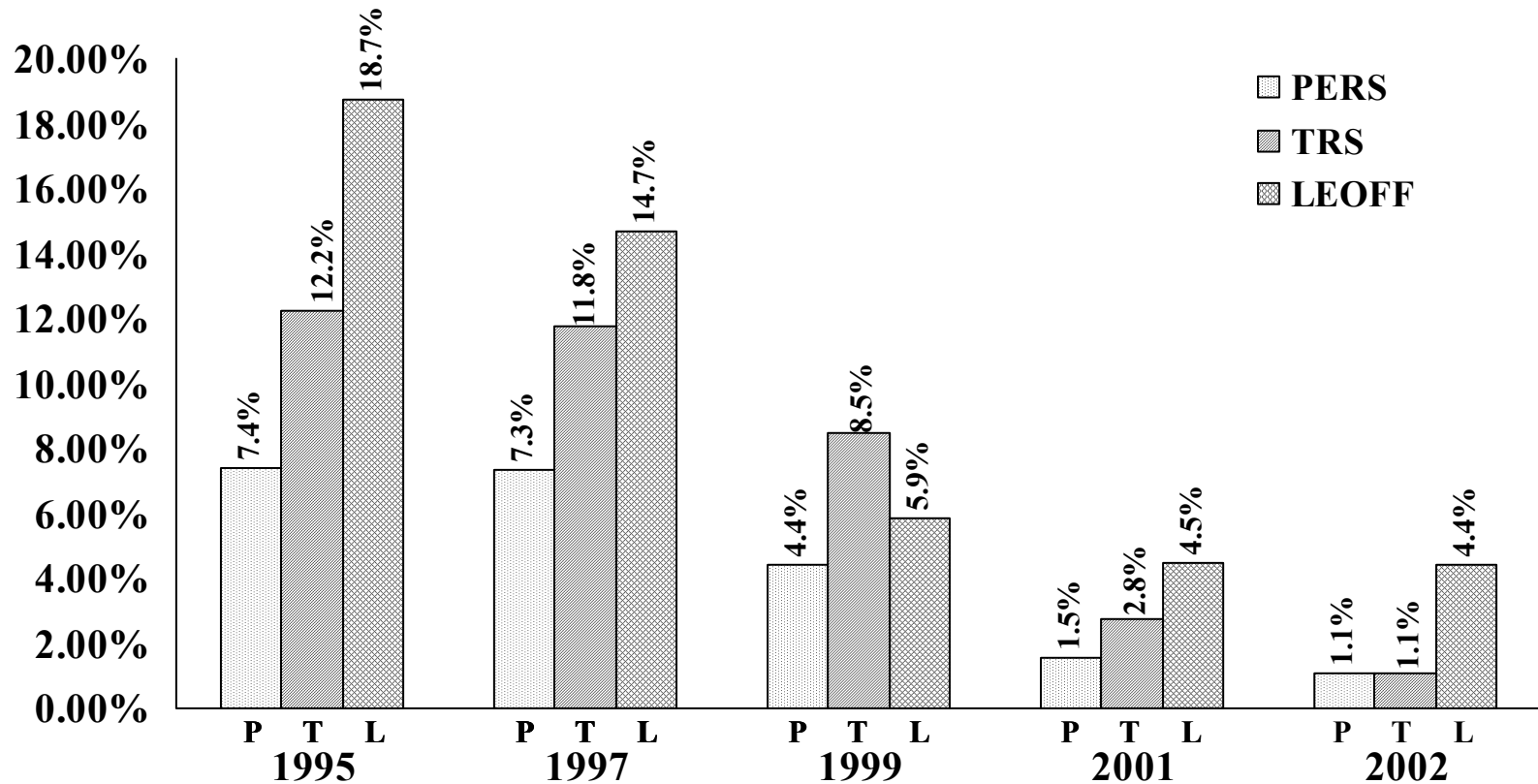
4-Year Average Rate of Return

Relative to current actuarial assumption 8%



Historical Rates

Total Employer*

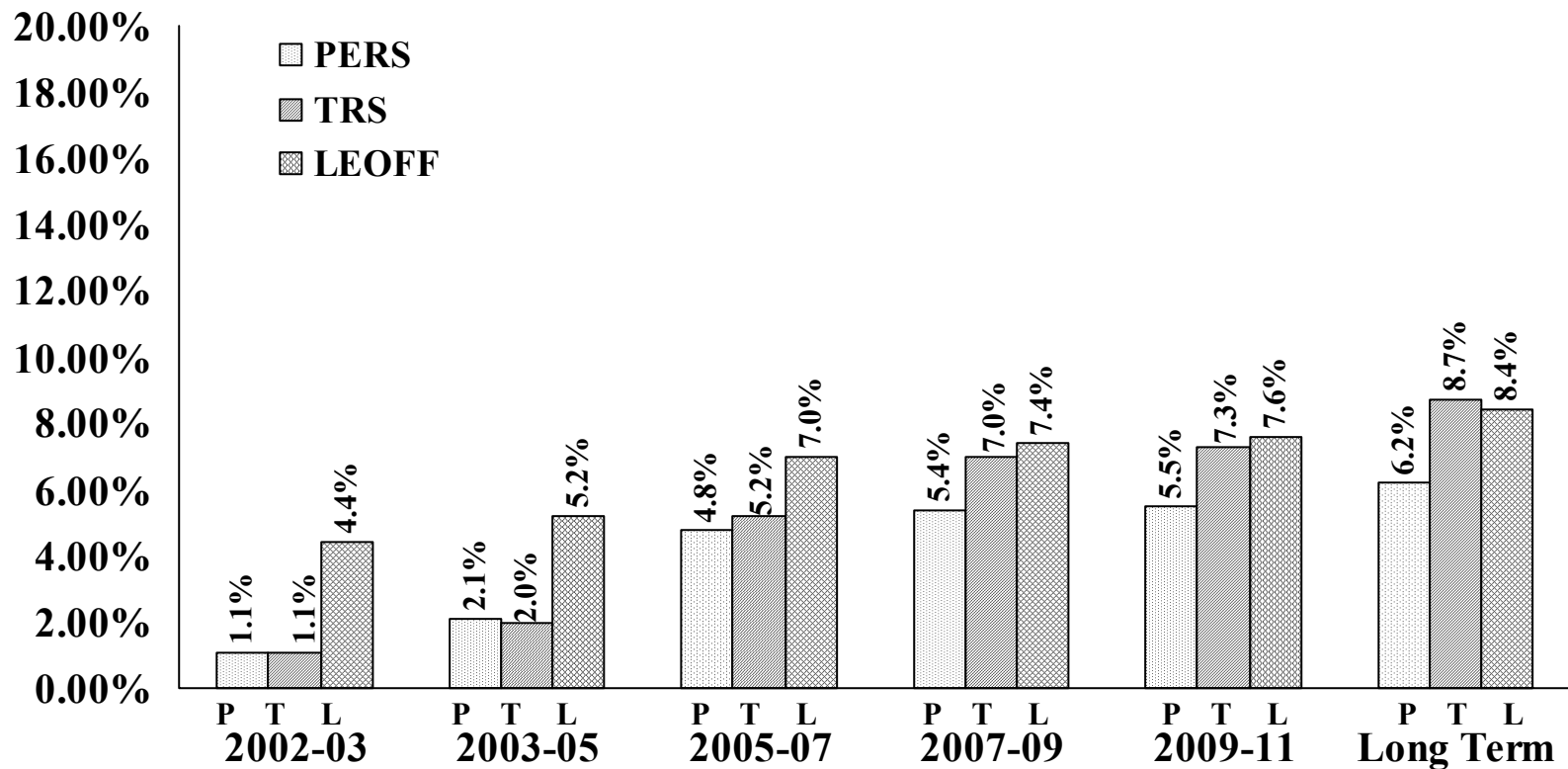


Assumes actual investment return through 11/01 and 8% thereafter.

*LEOFF combined employer/state.

Rate Projections

Total Employer*

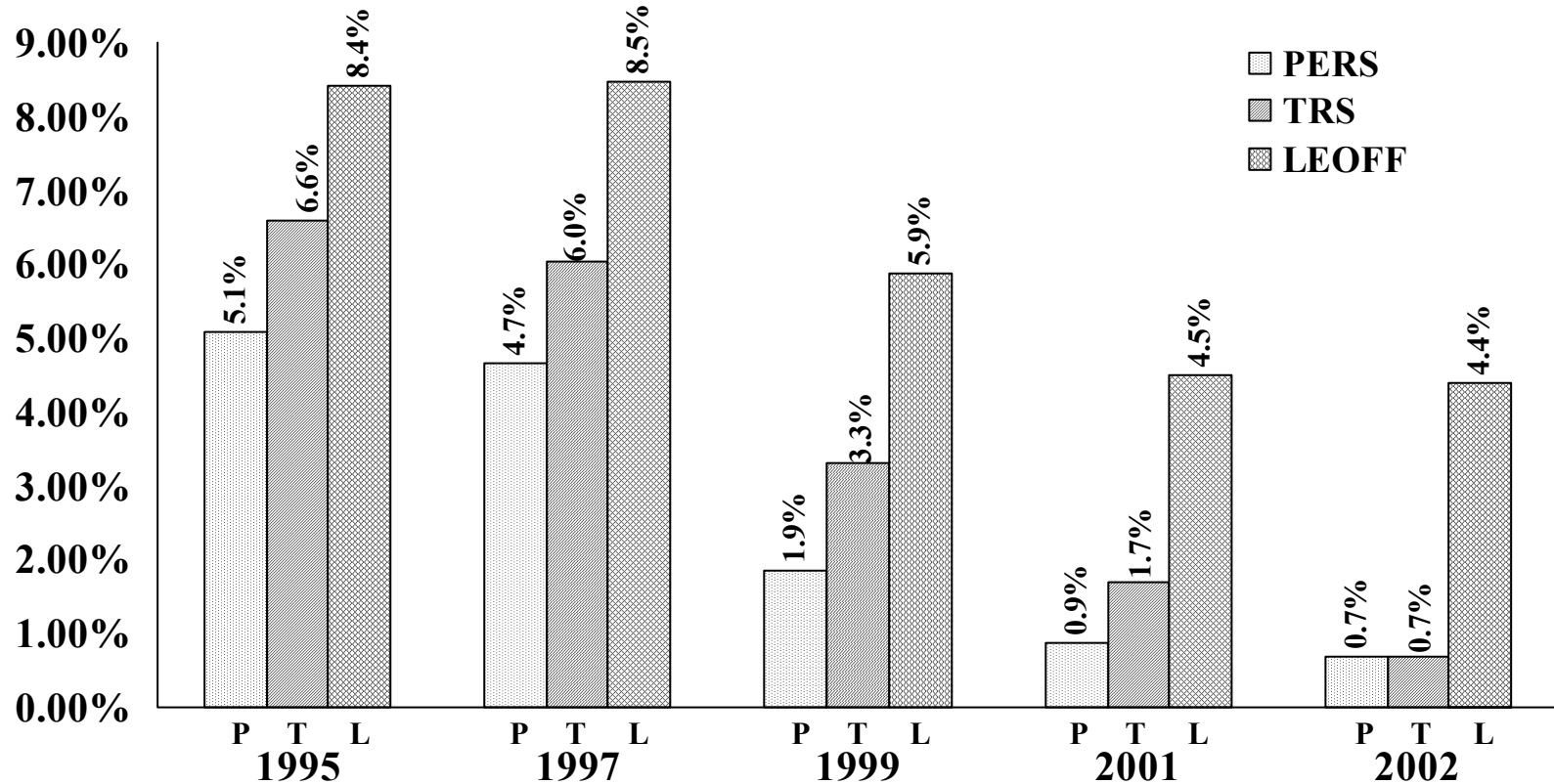


Assumes actual investment return through 11/01 and 8% thereafter.

*LEOFF combined employer/state.

Historical Rates

Plan 2/3 Employer Rate*

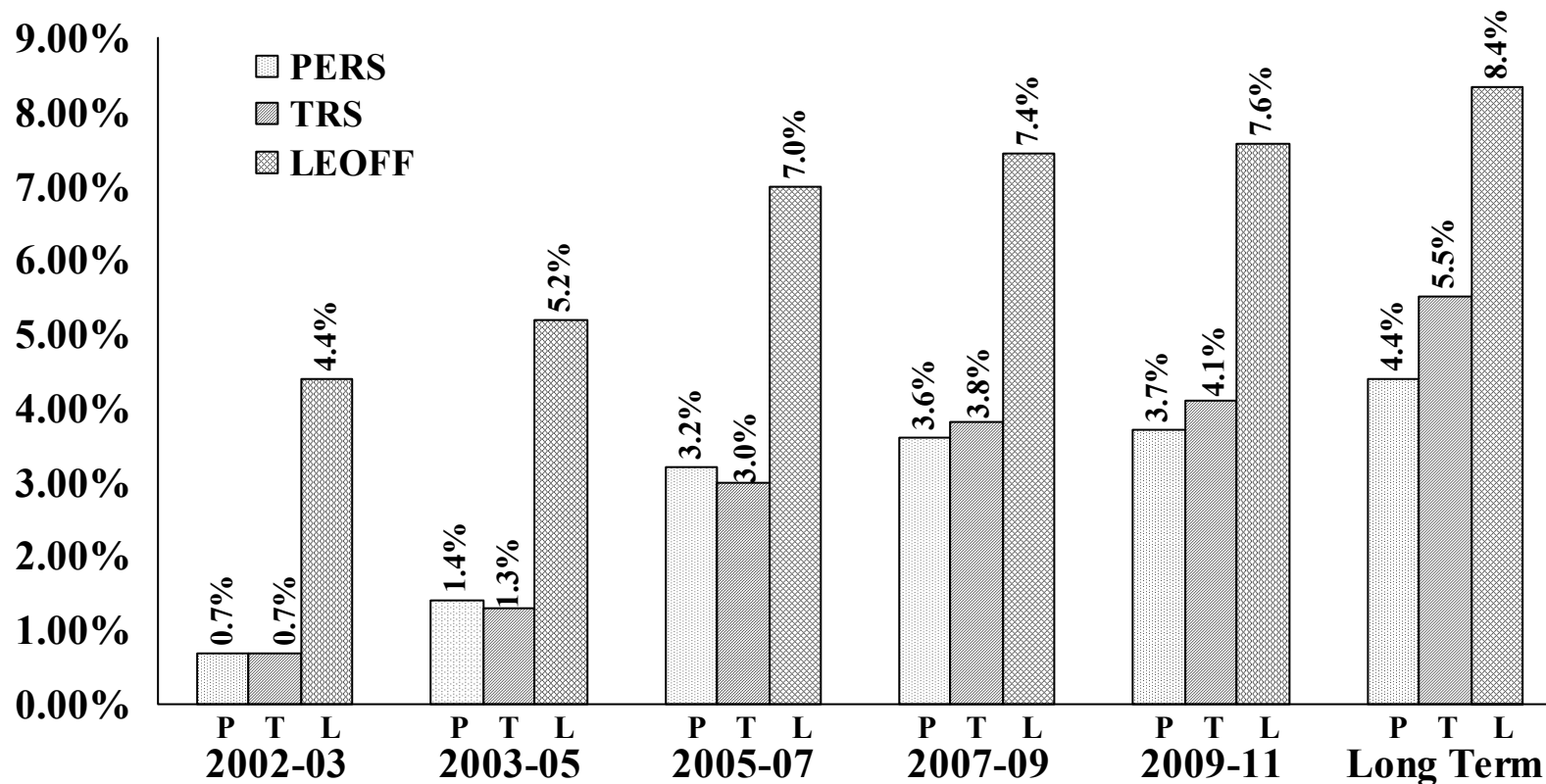


Assumes actual investment return through 11/01 and 8% thereafter.

*LEOFF combined employer/state.

Rate Projections

Plan 2/3 Employer Rate*



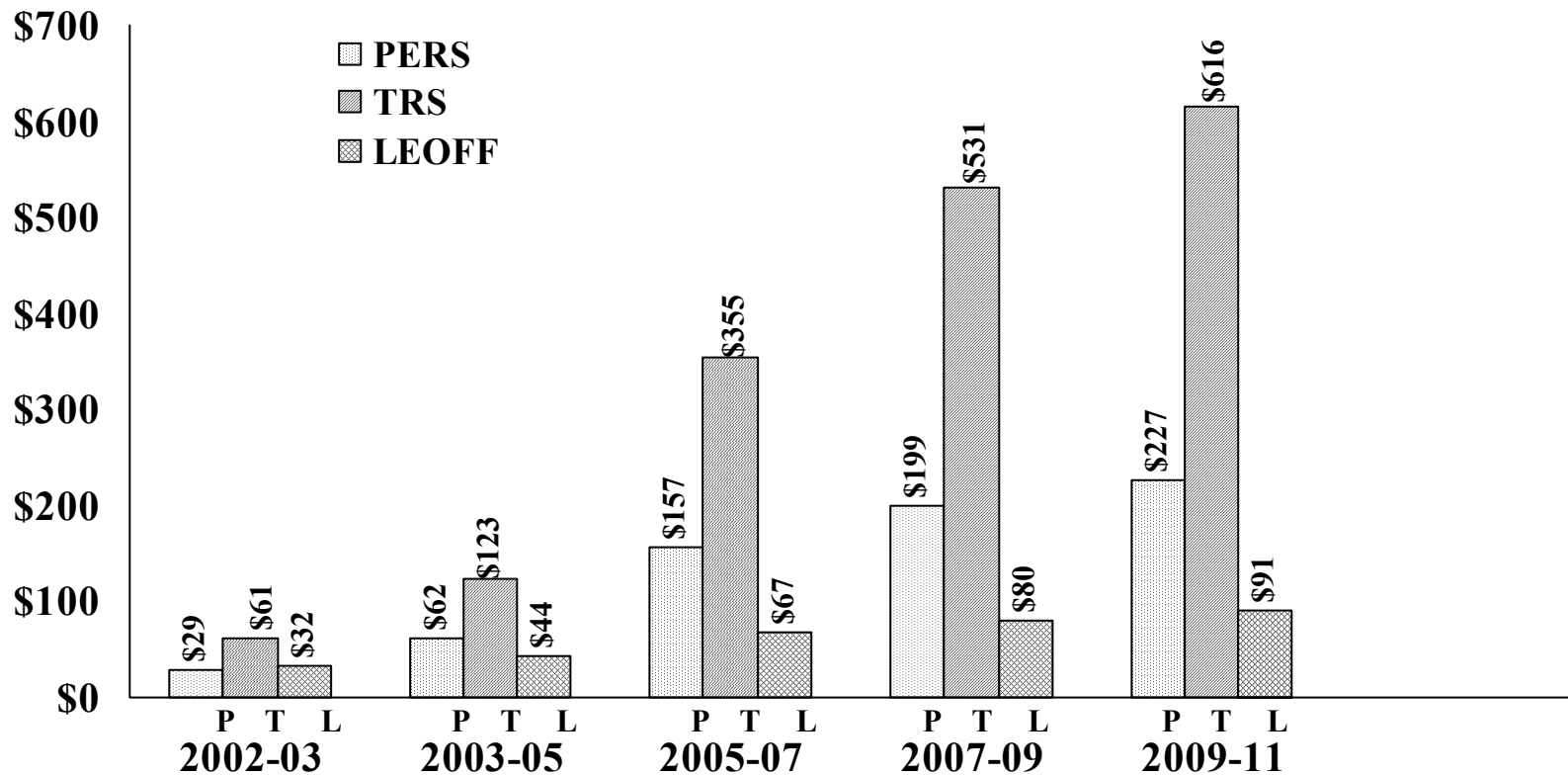
Assumes actual investment return through 11/01 and 8% thereafter.

*LEOFF combined employer/state.

Contribution Projections

GFS Contributions

(in millions)

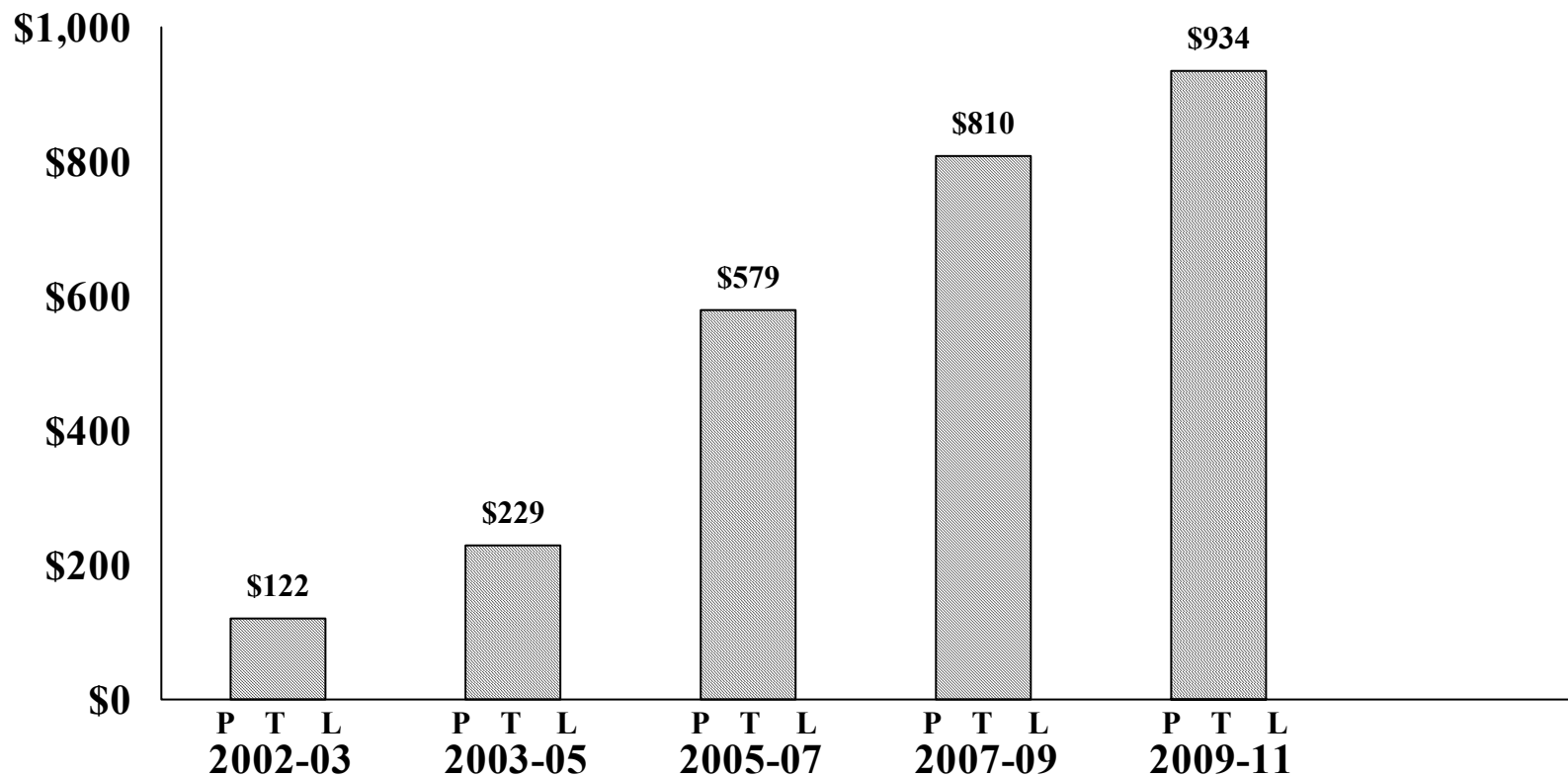


Assumes actual investment return through 11/01 and 8% thereafter.
Biennial costs based on current rates.

Contribution Projections

GFS Contributions PERS-TRS-LEOFF

(in millions)



Assumes actual investment return through 11/01 and 8% thereafter.
Biennial costs based on current rates.